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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY SEPTEMBER 8 1994 — D8523A

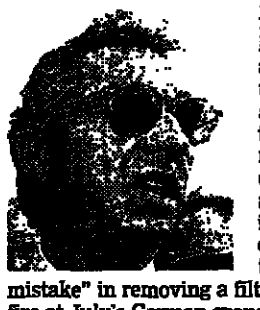
IBM's Europe head quits post after less than a year

Hans-Olaf Henkel, European head of International Business Machines, resigned after less than a year in the post, prompting speculation of radical restructuring in the European operations of the troubled computer manufacturer. Mr Henkel, who was president of IBM Germany until last year, is being replaced by Lucio Stanca, general manager of IBM's operations in southern Europe, the Middle East and Africa. Page 13

Albania convicts Greeks of spying: Five ethnic Greeks were convicted by an Albanian court of spying for Greece and illegal possession of arms after a trial that has raised tensions between the two countries. Page 2

Kantor warns on Japanese trade talks: US trade negotiator Mickey Kantor warned that the US and Japan were still a long way from agreement in their framework trade negotiations. Page 12

Benetton team made 'honest mistake'



Flavio Briatore (left), managing director of Benetton Formula, arrived at the International Automobile Federation in Paris to hear that his Formula One motor racing team had escaped punishment for tampering with refuelling equipment. The federation ruled that Benetton had made an "honest mistake" in removing a filter which led to a flash fire at July's German grand prix in Hockenheim.

RTZ interim profits up 26%: RTZ, the world's biggest mining company, reported interim pre-tax profits 26 per cent ahead at £427m ($662m), at the top end of analysts' expectations. Page 13; Lex, Page 12

Wellcome drug threat to Glaxo: UK drugs group Wellcome reported successful tests of an anti-migraine drug which could threaten the market dominance of Glaxo's Imigran, which had sales of £116m ($180m) last year. Page 22

Japan Telecom shares drop: Shares in Japan Telecom, the country's third largest telecommunications company, fell by 4.7 per cent, pushing the Nikkei 225 index down by 370.18, or 1.8 per cent, to 20,023.8. Brokers had hoped the listing would revive the market. Page 13; Lex, Page 12; World stocks, Page 36w

Recovery in aircraft market expected: The slump in world aviation markets is almost over and the industry can expect orders for 16,730 passenger aircraft worth $898bn over 20 years, according to a market forecast. Page 3

Russian military condemns democracy: Russia's senior military officers believe that "western types of democracy are not suitable to Russia" and that the "main foreign policy task must be to re-establish Russia as a great power", a survey shows. Page 2

'Black market' in CFCs: A "black market" in chlorofluorocarbons is slowing the transition to environmentally friendly CFC substitutes, an executive of UK chemicals giant ICI said. Page 6

Temporary respite for opera director: The Opera of Paris temporarily reinstated musical director Myung Whun Chung following a meeting with appeal court judges, but plans to ease him from the post by paying indemnities stipulated in his contract.

Total unchanged despite weak prices: French oil and chemicals group Total reported almost unchanged first-half net profits of FFr1.98bn ($356m), in spite of weak crude prices. Page 13

Corruption suspected in French business: Two out of three French company chairmen suspect that illegal practices are rife in many companies, a poll in today's Le Monde newspaper shows. More than half of businessmen believe France should crack down on white collar crime. Page 12

Nosing ahead: Japanese electronics group Sharp is to install an electronic nose into microwave ovens manufactured at its plant in north Wales to recognise when food is cooked. Page 12

Football win for Scotland: Scotland beat Finland 2-0 in a European Championship qualifying match in Helsinki. The scorers were Duncan Shearer and John Collins.

James Clavell dies: Author and screenwriter James Clavell, who wrote the best-selling novel *Shogun*, died in Switzerland. He was in his seventies.

STOCK MARKET INDICES

FT-SE 100:	3,203.9	(-1.5)
Yield	3.92	
FT-SE Eurotrack 100	1,371.13	(+0.1)
FT-SE-A All-Share	1,606.38	(-0.1%)
Nikkei	20,023.8	(-370.18)
New York lunchtime:		
Dow Jones Ind Ave	3,894.66	(-4.04)
S&P Composite	471.51	(-0.35)

US LUNCHTIME RATES

Federal Funds:	4¾%
3-mo Treas Bills: Yld	4.626%
Long Bond	99⅛
Yield	7.546%

LONDON MONEY

3-mo Interbank	5 15/32%	(5½%)
Liffe long gilt future:	Dec 100 13/32	(Dec100 13/32)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.475	(16.35)

Gold

New York Comex (Dec)	$394.4	(392.2)
London	$389.7	(387.65)

STERLING

New York lunchtime:		
$	1.54445	
London:		
$	1.5468	(1.5496)
DM	2.3953	(2.3904)
FFr	8.2127	(8.1946)
SFr	2.0039	(2.0039)
Y	153.874	(152.938)
£ Index	78.6	(78.5)

DOLLAR

New York lunchtime:		
DM	1.55245	
FFr	5.325	
SFr	1.29845	
Y	99.54	
London:		
DM	1.5486	(1.5426)
FFr	5.3096	(5.2882)
SFr	1.2956	(1.2932)
Y	98.965	(98.695)
$ Index	62.7	(62.5)

Tokyo close Y 99.15

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw50.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

Malaysia lifts ban on trade

Kuala Lumpur gives no indication of its reasons for calling a halt to standoff

By Kieran Cooke in Kuala Lumpur and Roland Rudd and Guy de Jonquières in London

Malaysia yesterday lifted its seven-month-old ban on government contracts for UK companies, in a move which the British government hailed as marking the restoration of normal trade relations.

The Malaysian government gave no reason for ending the ban, imposed in February after the London Sunday Times alleged that a UK company had sought indirectly to offer bribes to senior Malaysian politicians in an effort to win a construction contract.

Announcing the end of the ban, Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, said: "British companies are now eligible to participate fully in contracts and tenders. We will consider their bids on merit and competitiveness." Mr Anwar gave no indication of what prompted the yesterday's move. "The Malaysian cabinet made the decision ... there were no conditions attached. We just felt the time was opportune."

The decision appears to reflect concern in Kuala Lumpur that the ban was adversely affecting its economy. It follows recent informal UK government initiatives which emphasised the harm being caused to both countries.

Mr John Major, the UK prime minister, said: "I am delighted that the hiccup is now behind us and that we are back to our traditional relationship."

The Confederation of British Industry called the decision "very good news". The CBI added that the ban had cost some British companies business but its immediate impact had not been profound, and British exports to Malaysia had risen strongly in the first half of the year.

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■ Boycott was no big deal, says UK industry
■ Celebrations have cautious overtones
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Mr Richard Needham, the British trade minister, who has visited Malaysia several times to seek to end the ban, said: "It is a surprise but I'm delighted at the news. There is at least £2bn of business going at the moment in Malaysia which British companies can win in Malaysia. But you never get an order by abusing your customer." Mr Needham has strongly criticised some British media reporting on Dr Mahathir's government.

The precise cost of the ban to British exporters is not known. But one of its main results has been to exclude British companies, including GEC, Balfour Beatty and Trafalgar House, from bidding for potentially highly lucrative contracts for a new international airport south of Kuala Lumpur – presently South-East Asia's largest infrastructure project.

British bidders have also been excluded from tendering for some contracts in Malaysia's power sector and for some construction projects.

However, the ban has not prevented British companies from continuing to bid for private sectors business in Malaysia. That, along with sizeable shipments of UK defence equipment, appears to have contributed to an increase in UK exports to Malaysia to £667m in the first half of this year, up from £364m in the same period of last year.

Malaysian exports to Britain fell to £582m from £774m in the same period.

Malaysia relies heavily on foreign capital to finance an ambitious economic development programme. Some British and foreign investors have expressed nervousness about doing business in a country perceived to be highly sensitive to outside criticism.

Additional reporting by Andrew Baxter and Andrew Taylor

Home Shopping buys its way into Internet

By Louise Kehoe in San Francisco

Home Shopping Network, the leading US cable television shopping network, has acquired Internet Shopping Network, a California start-up company, in a move intended to create the first large scale on-line electronic shopping mall, accessible to millions of personal computer users.

"The Internet, with its estimated 25m users, presents us with the opportunity to expand our retailing expertise from television into this important venue," said Mr Gerald Hogan, president and chief executive of HSN. "We are planning a large-scale push into the digital environment."

With sales in the first half of 1994 of $548m, HSN is the largest US television shopping company. Viewers can order products demonstrated on HSN shows via the telephone using a credit card.

ISN, founded in June 1993, has been selling goods over the Internet, the global information network, for just three months. Sales figures were not revealed but the company said that over 100,000 Internet users had already used its service.

Presently, ISN offers approximately 20,000 computer-related products from nearly 1,000 companies. As an HSN subsidiary, ISN's on-line services will be greatly expanded, company officials said.

"Through alliances with well-known retailers, branded manufacturers and Internet service providers, HSN-ISN will bethe pre-eminent electronic merchant in on-line interactive retailing," said Mr Jeff Gentry, president of HSN Interactive.

HSN sees the Internet service as a new electronic distribution outlet for its own products as well as those from other merchants, retailers and catalogue companies. "We see on-line shopping as the forerunner of interactive television," said Mr Peter Kerne, HSN senior vice-president of corporate finance and strategic planning. The acquisition will "give us a viable business in the

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Lex, Page 12

'There is not, and should never be, an exclusive hard core of countries or of policies'

Major states objections to a 'two-tier' Europe

By James Blitz in Leiden, Michael Lindemann in Bonn and David Buchan in Paris

Mr John Major, the UK prime minister, yesterday denounced calls for an inner core of EU states as Britain and its main European partners locked horns over the community's future.

Speaking in the Netherlands, Mr Major spelt out his opposition to a "two-tier Europe", warning this would lead to "dangerous divisions" among member states.

He defended his call for a reformed EU constitution that would give greater flexibility to individual member countries, allowing them to decide how much they should engage in specific projects such as monetary union and the single market.

He also called for clear limits to the amount of power that should be given to the European parliament and claimed the parliament had "a long way to go before it wins respect and popular affection".

Delivering the William and Mary lecture to the University of Leiden, Mr Major became the first EU leader comprehensively to reject a call by the German Christian Democrats (CDU) for the creation of a hard core of European states based on France, Germany and the Benelux countries.

Remarks last week by Mr Edouard Balladur, French prime minister, were taken as endorsing the same hard core. In Paris, however, Mr Balladur distanced himself from the CDU position, defending his conception of "variable geometry", in which different groups of EU states would come together to pursue faster integration in varying fields, such as monetary, military and social policies.

"Where I differ from the Germans is that I don't think there can be a central core of the same countries pursuing faster integration in all fields," he said.

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But he stuck by his belief that the pace of EU integration should not to be dictated by the most reluctant members of the Union.

In Leiden, Mr Major said he saw "a real danger in talk of a hard core, inner and outer circles, a two-tier Europe. There is not, and should never be, an exclusive hard core either of countries or of policies."

Instead, he argued that nation state must remain "the basic political unit in Europe," and that the European public was "wary of over-centralisation and of over-ambitious blueprints for a new European architecture."

German Chancellor Helmut Kohl stood firm, telling a packed Bundestag that the CDU "is and will be the motor of integration in Germany and Europe".

"We absolutely do not want that the slowest ship decides the pace of the convoy," the chancellor said, repeating the words used last week by Mr Wolfgang Schäuble, the leader of the CDU parliamentary party and Mr Kohl's de facto deputy.

However, Mr Klaus Kinkel, his foreign minister and leader of the Free Democrats, said: "There must not be a Europe of first and second class," adding that Germany would remain a "reliable team player."

Downing Street officials stressed that preparations for the 1996 inter-governmental conference were still at an early stage and that Mr Major's comments should be seen as a "contribution to a vigorous debate."

But they admitted concern about a growing "nostalgia" in France and Germany for an EU centred once more on the community's founders.

John Major, with his Dutch counterpart Wim Kok, speaks to the press in The Hague during his visit to the Netherlands yesterday Reuter

UK relaxes security in Ulster in response to IRA ceasefire

By Kevin Brown in London, James Blitz in Leiden, Tim Coone in Dublin and Jimmy Burns in Belfast

Britain yesterday combined a scaling down of security patrols in Northern Ireland with a fresh appeal for an "unequivocal" permanent ceasefire declaration from Sinn Féin, the political arm of the Provisional IRA.

The appeal followed an apparent endorsement of Sinn Féin's good faith by Mr Al Gore, the US vice-president, who said during a stop-over at Shannon airport that Northern Ireland was at the top of the US foreign policy agenda.

Mr Gore said a joint statement on Tuesday by Mr Albert Reynolds, the Irish prime minister, Mr Gerry Adams, Sinn Féin president, and Mr John Hume, Social Democratic and Labour party leader, "speaks for itself".

The statement, issued after a meeting in Dublin on Tuesday, said that the three leaders were "totally and absolutely committed to democratic and peaceful methods of resolving our political problems".

Sir Patrick Mayhew, the UK Northern Ireland secretary, said that the army and the RUC had already responded to the reduced terrorist threat in Northern Ireland. "Certain things are not in place that were," he said.

In a further indication of British willingness to reduce the security presence, Mr John Major, UK prime minister, said that "a whole range of options will be open to us" once the government is convinced that there will be no return to IRA violence.

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■ Eyes on the prize of ceasefire from loyalists
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But he said there could be no progress until Sinn Féin clarified last week's declaration of a "complete" end to terrorism.

"All that has to be said is for Sinn Féin to say quite clearly, 'Yes, under no circumstances will we go back to violence'. That is all I am waiting to hear," he said.

"Unlike other people, I have responsibility for the security of Northern Ireland," Mr Major said during a visit to the Netherlands.

Mr Major refused to be drawn on Mr Reynolds' decision to meet Mr Adams. "The Taoiseach (Irish PM) and I have worked together and I don't doubt his personal commitment," he said.

However, there were indications that the meeting might delay progress towards the announcement of a ceasefire by Loyalist terrorist organisations.

Mr Jim Rodgers, a Belfast councillor with contacts in the loyalist community, said he believed the meeting was viewed by some terrorists as confirmation that republicans were influencing government policy.

Mr Rogers claimed that the reduction in security announced by Sir Patrick had been agreed at a secret meeting last week at which police and army chiefs drew up a programme of demilitarisation in nationalist areas.

Mr Martin McGuinness, a member of Sinn Féin's ruling executive, said there had been no reduction in security levels in response to the ceasefire.

Mr Ian Paisley, leader of the hardline Democratic Unionist party, accused Mr Major of acting like a dictator. However, he said the party had no plans to call on its supporters to take to the streets.

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Albania jails five ethnic Greeks for spying

By James Whittington in Tirana and Kerin Hope in Athens

Five ethnic Greeks were yesterday jailed for between six and eight years by an Albanian court after being found guilty of spying for Greece and illegal possession of arms.

The verdict follows a highly charged trial that has raised tensions between Albania and Greece and will bring a further deterioration in relations between the two countries.

However, Greek officials made clear there were no immediate plans to close the border or impose a trade blockade against Albania similar to that in force against Macedonia.

The five men are all leading members of Omonia, an Albanian political movement which campaigns for the rights of the country's ethnic minority and has close links to Greece, from where it receives funds. The five were convicted of collaboration with the Greek intelligence service and encouraging secessionist activities among the Greek minority in southern Albania.

They were arrested in April following a border raid from Greece in which two Albanian conscripts were killed. Their arrest opened up long-running tensions between the two countries and revived claims by Tirana that Greece had territorial designs in south Albania and by Athens that Albania is persecuting its Greek minority.

The five were described by the judge as "dangerous men who have worked against this country". Greece tried unsuccessfully to block the trial, claiming it was politically motivated and aimed at discrediting Greek links with the minority.

In Athens, the government spokesman, Mr Evangelos Venizelos, called the verdict "a very strong provocation, outside the bounds of international legal practice and human rights", but said Greece would react "coolly, decisively and with foresight".

The Greek ambassador to Tirana has been recalled for consultations, and the government will make a formal protest to the United Nations.

However, no further measures against Albania were announced, although the spokesman said those already in force – mass expulsions of illegal Albanian immigrants and tighter security along the border – would be "intensified". Since the case began on August 15, Greece has targeted Albania's fragile economy, which is the poorest in Europe, in an attempt to have the trial stopped. More than 40,000 illegal Albanian immigrants have been expelled over the past few weeks.

Officials in Athens said Greece would also maintain its veto over Ecu35m ($42.6m) in European Union economic aid to Albania.

Wages earned by Albanian workers in Greece are a main source of hard currency to many of the country's households. Last year, total remittances from Albanian emigrés was more than $330m compared with $125m in visible export earnings.

The Greek government is under pressure to take a strong line against Albania ahead of next month's local government elections, which will be the first serious test of the socialist government's popularity since it came to power last October.

However, it is reluctant to raise the stakes in the dispute, fearing that the Albanian authorities could retaliate harshly against the ethnic Greek minority.

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Russian military in troubled mood

By John Lloyd in Moscow

The first extensive survey of Russia's senior military officers reveals a group of men deeply disenchanted with Russia's place in the world and their place in Russia – as well as fearful of the future and resentful of the past.

Most officers on or above the rank of major thought that "without authoritarian rule we cannot overcome chaos"; that "western types of democracy are not suitable to Russia" and that the "main foreign policy task must be to re-establish Russia as a great power respected throughout the world".

The poll, carried out for the Friedrich Ebert Stifftung – the German social-democratic think tank – by the Munich-based Sinus polling group in co-operation with sociologists at a Russian military academy, is a unique view of the mindset of a sample of 615 senior officers, including 60 generals and admirals. Though it shows that they do not endorse the more extreme nationalist politicians and parties – such as Mr Vladimir Zhirinovsky, leader of the Liberal Democratic party – they are overwhelmingly in favour of a strong hand to guide the state and evidently feel that such a hand is presently lacking.

When asked which political or military figure they trusted most, the only two men to achieve more than 50 per cent (and to score less than 20 per cent on a disapproval rating) were General Alexander Lebed, commander of the 14th army based in the Trans Dnestr enclave of Moldova, and Mr Boris Gromov, the deputy defence minister who was the last Red Army officer to leave Afghanistan. Both of them are charismatic, hardline and critical of the present regime:

Gen Lebed, who has called President Boris Yeltsin a "nullity", said in an interview in the FT on Tuesday that it "is just not possible" to create a democratic state in Russia and asked: "What's wrong with a military dictator?"

By contrast, Mr Boris Yeltsin, the Russian president, scored a little over 25 per cent, with a 50 per cent disapproval rating; and Gen Pavel Grachev, the defence minister, scored around 20 per cent, with a more than 50 per cent disapproval rating.

Mr Zhirinovsky scored around 10 per cent, with a 60 per cent disapproval rating, while former Soviet president Mr Mikhail Gorbachev scored 2 per cent, with a disapproval rating of around 75 per cent.

The most popular views of the immediate future were dark, even catastrophic. More than half thought that there would be one of the following alternatives: mass uprisings and strikes in different regions; the reassertion of a dictatorship; an explosion in a nuclear power station; or a military putsch. Very few believed in successful economic reforms or full co-operation with Nato, though few foresaw a return to socialism, the cold war or a planned economy.

Other less apocalyptic views reflected in the survey including a high rating for Mr Grigory Yavlinsky, leader of the Yabloko group in the state duma (lower house) and a moderate reformist.

The most popular foreign policy goal, endorsed by 55 per cent, was the re-establishment of Russia as a great power enjoying respect throughout the world.

This goal scored just higher than agreement on a world-wide system of security.

Russian defence minister Pavel Grachev (left) greeting members of the US Army 3rd Infantry Division during joint military exercises in Totsk, 700 miles south-east of Moscow. The manoeuvres are to prepare the countries for joint UN peacekeeping missions AP

French heavyweights beat the bell

The two right-wing rivals for the presidential nomination are locked in a battle yet to be officially declared, writes **David Buchan in Paris**

Civil wars are often nastier than other conflicts – and the battle now joined between Prime Minister Edouard Balladur and Mr Jacques Chirac to be the governing RPR Gaullist party's nominee for president next year promises to be no exception.

The contest looks like providing the main political excitement of 1995. It also looks set to cover so much ground, as both men try to outdo each other in trying to be seen to do their utmost to create jobs, as to leave little terrain free for other candidacies. Like, for instance, a possible Socialist run at the Elysée by Mr Jacques Delors.

Neither Mr Balladur nor Mr Chirac has yet formally thrown down the gauntlet in public. Both know the French electorate wants them to stay their hand. Not being gluttons for punishment, two-thirds of French people say in the opinion polls they do not want the election campaign to start before January – a little over four months before the first round of voting on April 23 and five before the final round on May 7.

None of France's political parties has US-style primaries to select their presidential candidates, despite repeated suggestions by Mr Charles Pasqua, interior minister, that the governing parties of the RPR and of the centre-right UDF federation, adopt such a system for 1995.

What France does have, in excess, is opinion polls. These put Mr Balladur way ahead of Mr Chirac. A recent Ifop survey, for example, gives the prime minister 60 per cent against 30 per cent for Mr Chirac in a two-man contest for the Elysée.

No wonder therefore that Mr Balladur feels he is sitting pretty. The periodic indisposition of President François Mitterrand, suffering from prostate cancer, has given him a "vice-presidential" aura and far more of a headline-catching role in governing the country than normally falls to a French premier. At the same time, the rumours surrounding Mr Mitterrand's health, which shook the markets a bit yesterday, mean that no one can rule out an earlier presidential election.

In these circumstances, it is no surprise that Mr Chirac is so nervy. He himself is determined to try not to jump the gun. At a congress of young Gaullists cheering "Chi-rac Président" last weekend, he appealed for loyalty from his erstwhile protégé, and declared himself a candidate "in the great national debate" on the presidency, but not actually for the presidency itself. But his supporters went ahead and fired the starting gun anyway. Mr Alain Juppé, the foreign minister, who is the RPR's secretary general, openly put himself in the Chirac camp.

Each camp is now going on to a war footing, led by talented young politicians – Mr Juppé in the Chirac corner, and Mr Nicolas Sarkozy, the budget minister and government spokesman, in the Balladur corner – who are staking their careers on the outcome. There is no question that Mr Chirac has a lock hold on the RPR party machine, which he built and has run for the past 20 years. He inspires great affection among close supporters, and there is a real possibility of the party splitting if Mr Balladur eventually prevails.

The bitterness, typical of every civil war, arises out of the fact that Mr Balladur now turns a deaf ear to Mr Chirac's appeals for loyalty. Mr Balladur's supporters flatly deny any deal in 1993 whereby Mr Chirac let Mr Balladur get the prime ministership in return for giving the RPR leader a free run at the presidency.

"Balladur got the Matignon [the prime minister's office], because no one else wanted it," says a key Balladur strategist. Mr Chirac had occupied the Matignon twice previously, and even if he had wanted it a third time he would probably not have been nominated by President Mitterrand. He says there is no loyalty in the track record of Mr Chirac, who led an intra-Gaullist revolt against former prime minister Jacques Chaban-Delmas in 1974 that allowed Mr Valéry Giscard d'Estaing to win the presidency in that year. He then showed his gratitude for being made prime minister by Mr Giscard d'Estaing by running against the latter in 1981.

Mr Balladur may lack the party machine, but an increasing number of individual RPR deputies are attending presidential strategy sessions at the Matignon every Friday. In addition, he can count on most of the UDF, who prefer him to their nominal leader, Mr Giscard d'Estaing. The long-term result of a Balladur presidency could be the fusion of most of the RPR and UDF into a united French conservative party. Mr Balladur has urged this in the past, but is now soft-pedalling the idea so as not to anger die-hard Gaullists further.

Even the present vacuum in the Socialist party plays in Mr Balladur's favour. "Whether Jacques Delors decides in the end to run or not does not matter," says a Balladur supporter. "What is important is the prospect that Delors might run," he explains, because the polls show the retiring Commission president might run Mr Chirac very close, but would be clearly outdistanced by Mr Balladur.

There is, however, a chance that Mr Balladur could find himself tripped up by the economy in which he specialised as Mr Chirac's finance minister in 1986-88. For the moment, the prime minister dismisses the possibility that the recovery in the economy – yesterday reported to have grown by 1 per cent in the second quarter alone – could be choked off by recent rises in long-term interest rates or by his austere budget plans for 1995. With rises of 4 per cent in revenue and less than 2 per cent in spending, he plans a budget deficit of FFr275bn (£33.5bn) next year, down from this year's FFr300bn level.

This will please the international markets. But there is a danger point, an adviser acknowledges. This could come after Germany "rediscovers a certain tranquillity" with the probable re-election of Chancellor Helmut Kohl next month, and "just as we go into the turmoil of our presidential election".

Balladur's supporters flatly deny any deal in 1993 whereby Chirac let Balladur get the premiership in return for giving Chirac a free run at the presidency

Joker in central Europe's pack

But a change of image could spring from Slovakia's election, writes **Vincent Boland**

Privatisation and the personality of Mr Vladimir Mečiar, the first prime minister of independent Slovakia, are emerging as the key issues in the Slovak general election campaign which began this week.

For the next three weeks voters face a highly personalised campaign in which Mr Mečiar will use all his populist charisma to wrest back the power which he lost six months ago after steering an increasingly erratic path through the first 15 months of Slovak independence.

While the neighbouring Czech Republic forged ahead with mass privatisation in 1993, Mr Mečiar delayed privatisation for months only to push through hurriedly a series of controversial deals in his last days in office which opponents claim benefited close political supporters.

Mr Eduard Kukan, foreign minister in the outgoing coalition government headed by Mr Jozef Moravčik, says that at least 45 such deals were secretly agreed "literally in the last hours" of Mr Mečiar's administration. Several were subsequently revoked by Mr Moravčik's government. As the election campaign officially got under way this week the government was embarrassed by failure to finalise the details of its privatisation programme.

But ministers and supporters continue to argue strongly that without successful mass privatisation Slovakia will never throw off its image as the joker in the central European pack.

"People want voucher privatisation, they like it," says Ms Brigitta Schmögnerova, a deputy prime minister in the outgoing government. As evidence she points across the border to the Czech Republic, where close identification with voucher privatisation helped secure the re-election of Mr Vaclav Klaus in June 1992 and helped create one of the strongest emerging European economies.

Mr Mečiar does not agree. He said last week that if he was returned to power at the head of his Movement for a Democratic Slovakia (HZDS) he would scrap the government's voucher privatisation programme and "start all over again".

The outgoing government – a delicately balanced coalition of five parties, ranging from the former communists of the Democratic Left Party (SDL) to the veteran centrists of the Christian Democratic Movement (KDH) – wants to prevent him from doing so. But Mr Mečiar's threat is serious, and his words are carefully aimed at his large constituency of mainly rural and small-town voters who believe that privatisation is merely a way for politicians to enrich themselves.

With considerable skill Mr Mečiar, who likes to portray himself as the battling underdog, pours scorn on opponents who claim that this is precisely what happened with his own last-minute and secretive privatisation deals. The HZDS has clearly entered the campaign as the best-funded as well as the biggest of the 18 parties and coalition groups contesting and Mr Mečiar's image as the architect of independence is still a vote-winner. The party leads in the opinion polls, and could win up to 32 per cent of parliament's 150 seats.

But the prospect of another Mečiar government is unsettling many investors, both local and foreign, who have declared an investment interest but are keeping their money in the bank until after the election.

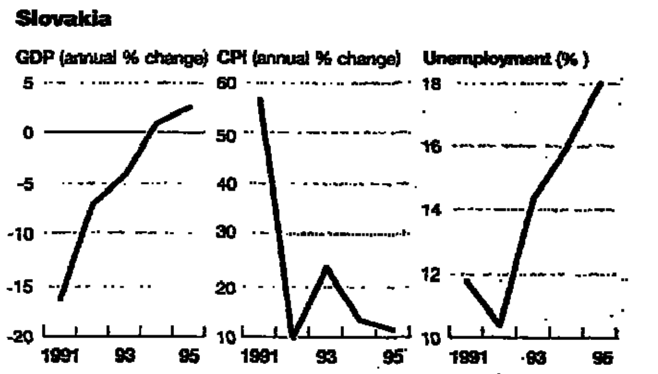
"Interesting things are happening here but everything hangs on the election results," the chairman of Robert Fleming's Czech and Slovak investment fund said last week.

Even if the HZDS does re-emerge as the largest single party, however, Mr Mečiar, who finds it hard to share or delegate power and has a record of personal and political clashes with former supporters and allies, could face considerable difficulty in finding coalition partners.

Apart from various fringe nationalist groups his most obvious allies are in the former communist SDL. But the SDL is split internally between its social democratic wing associated with Mr Peter Weiss, the youthful SDL leader who is no friend of Mr Mečiar, and the old corporatist wing. The latter works closely with the HZDS in rural areas and may steer the party towards the HZDS to retain its hold on power.

Mr Weiss steered his party into the coalition which deposed Mr Mečiar but diplomats in Bratislava believe that "the SDL is willing to jump either way". If this prediction proves accurate months of negotiations could take place before a government is formed.

Slovakia



Source: Giro Credit Research, Vienna

1994 & 5 forecasts

EUROPEAN NEWS DIGEST

Nuclear fears spur Europol

European Union interior ministers moved a hesitant step further towards creating a pan-European police agency yesterday, spurred in part by fears of a trade emerging in weapons grade plutonium smuggled from Russia and the former eastern bloc. But they remain sharply divided over the role and nature of Europol, with Germany and France on opposite sides. The issue is a top priority for Germany, which wants a range of responsibilities, including plutonium smuggling, to come within the agency's remit. Spain insists that counter-terrorism be part of Europol's intelligence sharing. France and Britain want to go more slowly, and rule out any frontline role for the agency. Both countries, with some support from Italy and Spain, are also determined to keep Europol under national governments' control. Their partners want to develop the Maastricht treaty "third pillar" on co-operation in justice and home affairs, which allot a still undefined role to EU institutions. The meeting took up a suggestion by Mr Michael Forsyth, UK home office minister, that a rapid assessment of the plutonium risk be made. *David Gardner, Berlin*

Russian call on Serb sanctions

Mr Vitaly Churkin, Russia's representative on the Bosnia "contact group", said yesterday the group was intending to recommend that the United Nations Security Council discuss the gradual lifting of sanctions against Serbia. British officials, however, said they would consider "a gradual lifting of sanctions" only if Serbia's President Slobodan Milosevic accepted UN monitors on the border between Serbia and eastern Bosnia, a view shared by the French and Germans. Belgrade has so far refused. Speaking in Berlin after a meeting of the group, which comprises German, US, British, French and Russian diplomats, Mr Churkin said: "The Serbs in Belgrade must not feel the world is against them. They must be treated as equal partners." He also warned that countries supporting the lifting of the arms embargo on Bosnia "must be prepared to take responsibility for their actions". *Judy Dempsey, Berlin*

BMW takes on more staff

BMW is to take on 700 full-time production workers in the German car industry's most significant hiring move in three years. The company, which yesterday also announced extra Saturday shifts for the rest of the year, said strong orders for new models and rising demand across the rest of its range demanded additional production capacity. Although most of the new permanent jobs are to go to employees on short-term contracts, the move appeared to mark an end of the steady erosion of the workforce which started in 1992. However, it is unlikely to be matched elsewhere in the German automotive industry, where reduction of payroll costs remains a priority. Yesterday, Mr Ferdinand Piëch, Volkswagen's chairman, stepped up his lobbying efforts for government subsidies to bolster car sales. *Christopher Parkes, Frankfurt*

Poland puts off pensions move

The Polish government is putting off until 1996 the indexing of pensions to inflation rather than wages growth. The unpopular move, planned for next year, would have cut pensions for affected 7m Poles before next autumn's presidential elections. The decision upsets the budget projections of Mr Grzegorz Kolodko, finance minister, and the government's promise to the International Monetary Fund. The country's central bank yesterday reported high money supply figures in August, for the second month running. Taken with higher than expected inflation this summer, said Mr Witold Kozinski, the bank's deputy head, they ruled out interest rate cuts. The finance ministry is pressing for a 1 per cent cut in annual interest rates to reduce the debt service burden on the budget. *Christopher Bobinski, Warsaw*

Gorbachev changes his mind

A German government spokesmen said yesterday that former Soviet leader Mr Mikhail Gorbachev had backtracked on his denial that the Soviet Union had insisted that Bonn must respect Communist land seizures as a condition for the unification of Germany. The spokesman said Mr Gorbachev made clear in talks with Chancellor Helmut Kohl in Bonn that his comments last week meant only that he had not personally discussed the issue with Mr Kohl in the unification negotiations in 1990. Soviet administrators took about 3.3m hectares of land, much of it held by Prussian nobility, and gave it to peasants and collective farms between the end of the second world war and the founding of East Germany in 1949. The original landowners have since tried to reclaim their property but Germany's constitutional court ruled in 1991 that the land could not be returned because Bonn argued its policy was crucial to unification. *Reuter, Bonn*

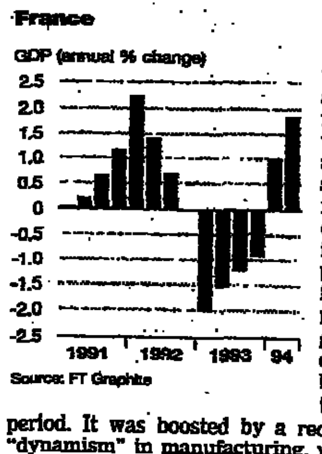
France-China trade deal

France and China yesterday signed contracts and letters of intention on promised orders for FFr2.6bn worth of business for French companies in China, effectively ending the commercial chill that followed the 1992 sale of French jets and missiles to Taiwan. The deals signed yesterday by Mr Gérard Longuet, France's trade minister, and his Chinese counterpart, Mrs Wu Yi, are expected to be followed by agreements on some FFr15bn worth of French sales to China, to be signed on Saturday when President Jiang Zemin is received by President François Mitterrand in Paris. These will include one on the construction by Elf-Aquitaine, the French oil company, of a new refinery in Shanghai. *David Buchan, Paris*

ECONOMIC WATCH

French GDP up 1% in quarter

France



Source: FT Graphite

French gross domestic product grew by 1 per cent in the second quarter compared with the first three months, according to Insee, the national statistics office. This was in line with forecasts, although several economists said consumption and investment growth were at the top end of expectations. Growth in the first quarter was 0.7 per cent, unrevised from the figure given earlier this month. Industrial output gained 2.1 per cent in the second quarter, Insee said, following a 1.2 per cent rise in the previous three-month period. It was boosted by a recovery in energy output and "dynamism" in manufacturing, which rose 3 per cent (2.7 per cent). Consumer spending rose 1 per cent after two stagnant quarters; investment increased by a similar figure in a marked break with the recent trend. Exports rose 2.6 per cent and imports by 2.8 per cent. *Reuter, Paris*

■ German M3 money supply growth was revised down by the Bundesbank from 9.9 per cent to an annualised growth rate of 9.8 per cent in July, final data released by the Bundesbank showed. The bank said final data showed a 6.4 per cent rise from the last quarter of 1993, after a provisional 6.5 per cent.

■ Italy's trade surplus with non-EU countries totalled L2,770bn (£1.14bn) in July, against L2,540bn in June and L3,920bn in July 1993, reported Istat, the national statistics institute. Imports totalled L9,610bn and exports L12,390bn. Istat said imports grew by 15.3 per cent compared with a year ago while exports had increased 1.1 per cent.

■ The cost of living in western Germany edged 0.1 per cent higher in the month to mid-August from a month earlier and was 3 per cent higher than a year ago, according to federal statistics office figures.

British companies have suffered little under Malaysia's seven-month ban but anxieties remain

Boycott was no big deal, says UK industry

Contractors relieved that ban has been lifted

By Andrew Taylor and Andrew Baxter

The six month boycott by the Malaysian government on British goods and services does not appear to have lost the UK large amounts of business with the exception of big construction contracts on the new £3bn ($4.6bn) Kuala Lumpur international airport.

Many companies have continued to negotiate for work, in the hope that the ban would be lifted. These yesterday welcomed the Malaysian government's decison.

The British Confederation of British Industry said: "Some companies will have lost business as a result of the ban, but the immediate effect has not been profound."

The CBI said UK exports to Malaysia for the first six months of 1994 had amounted to £667m, an increase on the same period in 1993 of £364m. Imports from Malaysia for the same period declined from £774m to £582m.

See Editorial Comment

A long running ban, however, would have threatened large scale construction and development projects. Lord Prior, chairman of General Electric Company said: "Billions of pounds of British orders and contracts had been in jeopardy until now... It is good that we have a level playing field again."

Malaysia is an important market for the group which was part of the consortium which drew up development plans for the new airport. Lord Prior said GEC had not lost work as contracts it had been bidding for had still to be awarded.

Other companies have not been so fortunate. A joint venture between British engineering groups, Trafalgar House and BICC had been expected to win the construction management contract for the airport.

The contract is understood to have been awarded to KLIB, a Malaysian state body with which Trafalgar and BICC had been negotiating.

Tender lists for the £300m airport terminals also have closed without any British companies being allowed to bid. Japanese, German and Korean groups are thought to be among the 20 contractors seeking the work.

BICC and Trafalgar said yesterday they were considering tendering for other large contracts at the airport which had still to be awarded. Both companies have continued to carry out a £70m earthworks contract won just before the ban.

The length of time it takes to negotiate and place contracts for big projects such roads, power stations and water treatment plants has meant that UK companies will have missed few opportunities during the short-lived ban.

Rolls-Royce's Parsons Power Generation Systems had submitted a bid to supply turbine generators for the Port Klang power station before the ban. Rolls-Royce said yesterday that it had kept in contact with the customer, the Malaysia state electric utility and hoped negotiations would resume.

It also hopes that a joint venture with EPE Power of Malaysia to meet the growing demand for power transmission equipment in Malaysia could also be resumed.

The ban did not include private sector contracts, but it had been feared that non-state owned Malaysian companies would follow the government's lead. Mr Ian Campbell, director general of the Institute of Export said there was no evidence that this had happened.

Major projects which had already started or had just been negotiated with British companies also have been unaffected. The largest of these is a management construction contract with Bovis for a £1.2bn Kuala Lumpur city centre development involving the construction of twin towers of almost 1,500ft which would become the world's tallest buildings.

At one stage Bovis had feared that it might be replaced. A project management contract with John Laing construction group for building and civil engineering for two gas turbine combined cycle power stations at Pasir Gudang and Paka also was signed just before the boycott was imposed. This too has been unaffected.

John Laing has just finished a £25m contract at Sibu airport in Sarawak and is due to complete a £150m contract for 12 hospitals next year.

Taylor Woodrow which has previously managed the construction of sections of the country's strategic north-south highway is involved in the construction of the £300m first phase of a privately financed light rail system linking Kuala Lumpur with surrounding areas. Taylor Woodrow owns 15 per cent of the equity with its partner AEG Westinghouse of Germany holding a similar stake.

Taylor Woodrow through its majority-owned Malay subsidiary is understood to have maintained contact with the Malay authorities and hopes to win further work when the extension to the railway is built.

Trafalgar House and BICC also have continued to work on contracts awarded before the boycott including the controversial £400m Pergau Dam which is due for completion in 1997. Trafalgar House is building a steel fabrication plant in a joint venture with Edaran Otomobil Nasional which is due to open next year.

Costain, another British contractor, said it had been pursuing work worth about £1bn, including the airport terminal contract at Kuala Lumpur, when the ban was imposed. It added: "We will now be looking to see how much of this work is still available. We are very hopeful."

The UK Export Group for the Constructional Industries said yesterday it was delighted by the lifting of the ban. "We hope that the short-lived nature of the ban means that little harm will have been done to British interests and normal good relations with Malaysia, which have lasted many years, will be restored," it said.

A year of trading accusations

October, 1993: UK National Audit Office criticises 1989 government decision to override official advice and give £234m in aid for Malaysia's Pergau dam project; House of Commons public accounts committee launches inquiry into whether government breached own rules by linking aid to £1bn arms sale to Malaysia.

January, 1994: Sir George Younger, former UK defence secretary, admits possible link between Pergau aid and arms deal; government documents appear to confirm link.

February: Malaysia bans award of further public contracts to UK companies in protest against a report in the Sunday Times, the British weekly newspaper, that Wimpey, a British construction group, offered bribes to Malaysian politicians in bid to win £615m aluminium smelter contract.

Mr Alastair Goodlad, UK Foreign Office minister, tells parliament that Malaysia was offered aid in return for arms purchases; government reviews aid procedures in light of Pergau affair.

March: UK Foreign Secretary Douglas Hurd tells Commons foreign affairs committee that government made "incorrect" link between Pergau aid and arms deal.

Malaysian High Commissioner in London says diplomatic efforts under way to try to end trade dispute; Lord Prior, GEC chairman, heads British business mission to Kuala Lumpur in unsuccessful attempt to have ban lifted.

Malaysian Prime Minister Mahathir Mohamad says "there will be no contracts in exchange for British press freedom to tell lies" after Sunday Times alleges senior Malaysian politicians profited from privatisation of company which owns Pergau dam.

Commons public accounts committee report unanimously condemns government's handling of Pergau aid.

April: Lord Cranbourne, UK junior defence minister, raises hopes of end to ban after talks in Kuala Lumpur; Malaysian deputy foreign minister calls lack of critical British press reports "a good beginning".

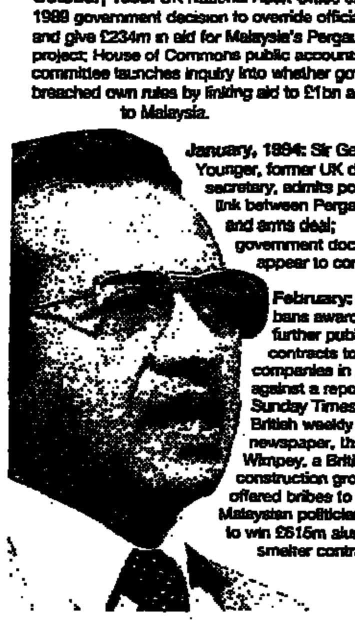
May: Dr Mahathir says ban may be lifted if British press reports on Malaysia improve; British Trade Minister Richard Needham raises hopes of a solution after talks with Dr Mahathir and other Malaysian cabinet members.

June: Mr Needham, on second visit to Kuala Lumpur, says ban will be lifted in six weeks but warns that delays could trigger UK retaliation.

July: Dr Mahathir says ban will continue, but selectively.

August: Sir Robin Biggam, BICC chairman, says after trip to Malaysia that ban will be lifted soon.

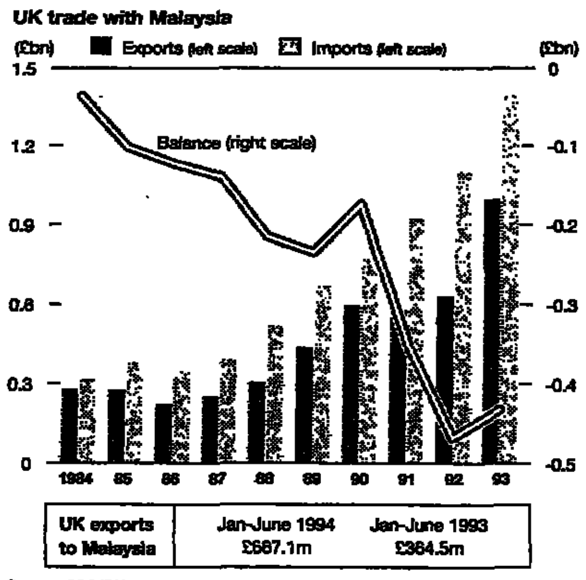
September: Malaysia lifts ban.



Malaysian Prime Minister Mahathir Mohamad
'I'm sometimes nasty to governments, never to business people'- Jan 1994

UK Trade Minister Richard Needham
'You never get an order by abusing a customer'- yesterday

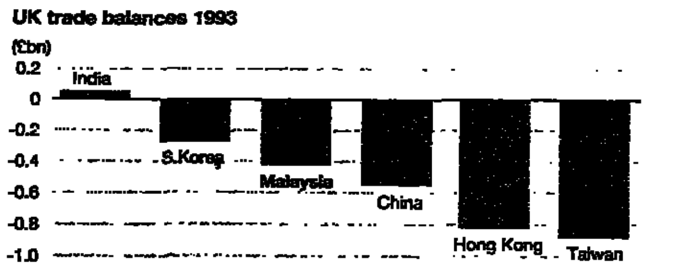
UK trade with Malaysia



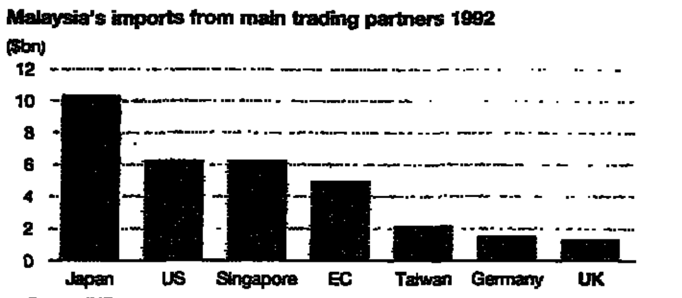
UK exports to Malaysia	Jan-June 1994	Jan-June 1993
	£667.1m	£364.5m

Source: CSO/DTI

UK trade balances 1993



Malaysia's imports from main trading partners 1992



Source: IMF

Celebrations have cautious overtones

By Kieran Cooke in Kuala Lumpur

A few beers were being poured down the throats of British businesspeople in Kuala Lumpur last night. The ban on British companies being given contracts by the Malaysian government – contracts that are potentially worth many hundreds of millions of pounds – had been lifted.

But the mood was not altogether joyous. Feelings of nervousness persist. One businessman summed things up: "Of course we are happy that it's over. But all it needs is another incident where Mahathir feels his honour has been slighted. The balloon could easily go up again."

In recent years British companies have made considerable inroads in Malaysia. But then came the ban. Companies saw all they had worked for in danger of disappearing. Having courted the Malaysian bride for so long, British business was worried it might not be invited to the wedding.

The ban was announced at the end of February this year. Malaysia had grown increasingly upset about the controversy in Britain surrounding a $240m aid package for building a dam, and its linkage to multi million dollar Malaysian purchases of British arms.

But the spark that caused the Kuala Lumpur government anger to explode was a report in the London Sunday Times alleging that a British construction company had tried to offer bribes to Dr Mahathir Mohamad, the Malaysian prime minister. Though the newspaper did not allege that Dr Mahathir had accepted bribes or had in any way been directly involved, the prime minister interpreted it in broader terms – a personal insult and an attempt to undermine the integrity of Malaysia's leadership.

"We believe the foreign media must learn the fact that many developing countries, including a country led by a brown Moslem, have the ability to manage their own affairs successfully," said the government statement announcing the ban at the end of February.

Some Malaysians felt that their prime minister was overreacting but had little choice but to go along with the ban. Dr Mahathir, prime minister for the last 13 years, is a very powerful figure, influencing virtually every aspect of Malaysian life. From the beginning it was difficult to gauge exactly what he wanted in order for the ban to be lifted.

"All I want is the truth," said Dr Mahathir. "But then the British media is incapable of telling the truth." Clearly the Malaysian government felt the British government should do more to disassociate itself from the media reports.

But the official British reaction only added to the confusion: on the one hand Mr Major described the Malaysian action as "not being remotely justified." On the other, Mr Major's ministers – in public at least – joined with the massed ranks of British business in laying the blame for the Malaysian action squarely on the British media.

There were other perplexing aspects to the ban. In many cases British companies found it was business as usual. British exports to Malaysia rose by about 80 per cent in the first six months of this year: ironically part of the reason for the jump in exports was the delivery to Malaysia of British defence equipment such as British Aerospace Hawker fighter aircraft, which was part of the controversial aid/defence package.

But there are plenty of other contracts to win. Malaysia's economy has grown by more than 8 per cent in each of the last six years. The country plans to spend M$40bn ($15.5bn) on various infrastructure projects over the next four years, M$70bn by the end of the century.

In 1981 Dr Mahathir, piqued at what he perceived as British high handedness on issue ranging from trade to high fees for Malaysian students in Britain, instituted a "Buy British Last" policy.

It was seven years before that ended. This ban has lasted only seven months.

THE FARNBOROUGH AIR SHOW

Engine makers face hard choices, says GE chief

By Paul Betts, Aerospace Correspondent, in Farnborough

Aero engine makers face a tough time deciding whether to produce engines for all types of aircraft, Mr Eugene Murphy, the new chief executive of GE Aircraft Engines, the aero engine subsidiary of the US industrial group, said yesterday. He said manufacturers would have to decide whether to launch new engine programmes or opt out of a given engine market if they felt there was not room for three competing engines.

"Companies are going to have to make a difficult call. Can they afford to offer engines on every aircraft," he said.

GE is locked in battle with its two principal rivals – Pratt & Whitney of the US and Rolls-Royce of the UK – to supply a new generation of large engines to power the Boeing 777 twin-engine wide-bodied airliner.

GE and its international partners are spending $1.5bn on the development of the GE90 which competes against the Rolls-Trent 800 and the Pratt & Whitney BW4000 to power the new Boeing 777s.

Mr Murphy conceded that GE was facing a very tight schedule to meet the certification timetable for the GE90, which has been selected by British Airways to equip its new fleet of Boeing 777s.

But he insisted that while the GE90 programme had encountered some "mechanical problems" there were no major design flaws in its ambitious large engine programme.

He said GE was continuing to strive to improve productivity and reduce costs to position itself strongly to capitalise on the eventual recovery of the civil aircraft market.

However, he said he did not expect a recovery in the market until 1996, echoing a similar forecast by his UK rival Rolls-Royce.

"We are hopeful the market will bottom out in 1995 and we will be on the road of recovery the following year."

Although the order outlook remains disappointing this year, he said GE in combination with its French partner Snecma in the CFM International aero-engine joint venture continued to account for more than 50 per cent of new engine orders in the world market.

For the first seven months of this year, GE and CFM won around 70 per cent of all new commercial aircraft engine orders for aircraft of more than 100 seats with firm orders for more than 210 engines. In contrast Pratt & Whitney had taken 25 per cent of orders and Rolls-Royce 3 per cent.

The International Aero Engine Group, in which Rolls-Royce and Pratt & Whitney are the main partners, secured 1 per cent of new orders in the first seven months.

Mr Murphy said GE also intended to step up its globalisation efforts and was targeting such markets as China and the former Soviet Union which he said held strong long term prospects.

Aerospace contracts

UK company forms joint venture with Chinese

Lucas Aerospace, the UK engineering company, is to form a joint venture with the China National Aero-technology Import and Export Company, writes Bernard Gray.

The joint venture will be equally shared between Lucas and CATIC and will have alternating chairmen, but Lucas will have management control of the manufacturing plant..

Initially, the joint venture will provide a digital engine control system for the Chinese K-8 basic jet trainer. It will also be the preferred supplier in future engine control, flight control and power generation equipment. Lucas-CATIC could have a turnover in excess of $100m within 10 years.

□ ROLLS-ROYCE, the UK aero engine manufacturer, has won an order worth about $90m to supply engines for six Boeing 757 airliners for American Trans Air, the 10th largest US carrier based in Indianapolis, writes Paul Betts.

The order represents a switch by the US carrier from competing US manufacturer Pratt & Witney.

□ AIRBUS Industrie said TransAsia Airways of Taiwan had placed an order for two more A321 short-haul passenger jets, for delivery in late 1996, Reuter reports from Farnborough.

□ BOEING said East West Airlines of India had ordered two 737-400 passenger jets in a deal worth about $85m, Reuter reports from Farnborough. The order was part of a fleet renewal programme by the privately owned domestic carrier.

□ SHORTS, the Belfast aerospace manufacturer, yesterday announced a contract worth more than £20m to support US Army military transport aircraft, PA reports. Shorts joins Nebraska-based Duncan Aviation in the five-year contract.

□ SIEMENS PLESSEY yesterday won a £70m contract from the Swedish Civil Aviation Administration for the replacement of Sweden's air traffic control centres.

More than 40 airport towers are involved.

□ BRITISH AEROSPACE DEFENCE is said to be days away from announcing a new order from Saudi Arabia for its Hawk fighter/trainer jets, Reuter reports. BAe would not comment.

Aircraft market expected to see recovery in 1996

By Christopher Parkes in Frankfurt

The slump in world aviation markets is almost over and the industry can expect orders for 16,730 new passenger aircraft worth $898bn over the next 20 years, according to a market forecast issued yesterday by Deutsche Aerospace (Dasa).

The Daimler-Benz subsidiary said it expected the market would start to recover in 1996 and pinpointed the Asia-Pacific region as the most promising market.

It predicted mergers or closures in the commuter aircraft business, which would feel pressure from high-speed trains.

Global annual traffic growth for jets seating more than 70 was likely to average 4.7 per cent – 3.2 per cent in North America, 4.1 per cent in Europe and 6.3 per cent in Asia. Including 5,310 replacements, total orders would reach 11,300 in this sector.

The European Airbus consortium, in which Dasa has a 37.9 per cent stake, would maintain its market share at over 30 per cent for the rest of the current decade, the company said.

Demand for a total of 5,430 mainly turbo-prop commuter aircraft, including 2,780 replacements, would be bolstered by an annual average traffic increase of 5.5 per cent – 4.5 per cent in North America, 5.3 per cent in Europe and 7.7 per cent in Asia.

Dasa, which supplies the Fokker 50 and the newly launched Dornier 328 regional aircraft to this sector, expected worldwide annual deliveries to average 270 commuter craft, rising to around 400 at the end of the forecast period.

The company had already delivered 10 Dornier 328s, had orders on hand for 46 and had 50 options. It expected 350 orders over the next 10 to 15 years, a spokesman said.

According to the Dasa forecasters, who studied more than 500 airlines with an overall fleet of 13,290, competition from high-speed trains would reduce potential demand from European airlines for commuter aircraft by 7 per cent – equivalent to 220 aircraft.

While the market for larger jets would be shared by Boeing, McDonnell Douglas and Airbus Industrie as industry consolidation came to an end, over-capacity and price competition would force mergers or closures among the 10 existing commuter aircraft suppliers, Dasa predicted.

Average carrying capacity of jets would rise from 182 seats to 236 by the end of the review period, while commuter aircraft would have 36 seats compared with 33 at present.

Russia's Khrunichev Space Centre (KSC) and Deutsche Aerospace are planning a joint venture to arrange commercial satellite launches using a former military delivery mechanism, Reuter reports from Moscow.

KSC said the 120-tonne Rokot booster, produced by KSC from 1973 and originally designed for the former Soviet Strategic Armed Forces, would be reshaped to carry communication satellites weighing up to two tonnes and was capable of delivering two satellites at a time.

LDP in struggle to pick bank chief

By William Dawkins and Emiko Terazono in Tokyo

Japan's Liberal Democratic party, the dominant member of the ruling coalition, has launched a campaign to reassert its political authority over the powerful financial bureaucracy.

A senior banker and former top finance ministry official claims the LDP is trying to impose its own choice of a successor to Mr Yasushi Mieno as governor of the Bank of Japan.

Mr Mieno is due to retire at the end of the year. The post is traditionally arranged in an orderly manner between the finance ministry and the central bank, which take turns to place their own candidate in the job. But this time, an element of confusion has crept into the handover of power at one of the world's most important central banks.

Mr Yasuo Matsushita, chairman of Sakura Bank, has increased his lead as front-runner for the governorship, with the backing of Mr Noboru Takeshita, the former LDP premier, who brought together the three-party coalition at the end of June. The LDP has been seeking to make its mark since returning to power, after a humiliating year in opposition, its first such experience in nearly four decades.

Under the previous coalition government, support had been growing for Mr Yoshihiko Yoshino, president of the government-controlled Japan Development Bank, with the backing of senior finance ministry officials and of Mr Ichiro Ozawa, the former government's backroom strategist. Both candidates are former finance ministry officials, in deference to the fact that the present central bank governor is a career central banker.

Numerous other rival candidates for the governorship are mentioned in the Japanese press, a sign of the new openness of the power struggle between politicians and the bureaucracy.

Senior finance ministry and central bank officials deny that the LDP is interfering in the choice of central bank governor, which is expected to be decided by Mr Tomiichi Murayama, the prime minister, in November. Officially, Mr Yoshino has withdrawn from the race on health grounds and because he feared that his spoken English was inadequate. Mr Matsushita also has finance ministry support, though from a different group of officials from those who backed Mr Yoshino.

What is clear, however, is that this change of governor at the Bank of Japan is less smooth and more public than usual.

In another sign of the LDP's swiftness in bolstering its influence, the party has found a new job for a senior Ministry of International Trade and Industry official close to the party, who was deposed last year by the former government of Mr Morihiro Hosokawa.

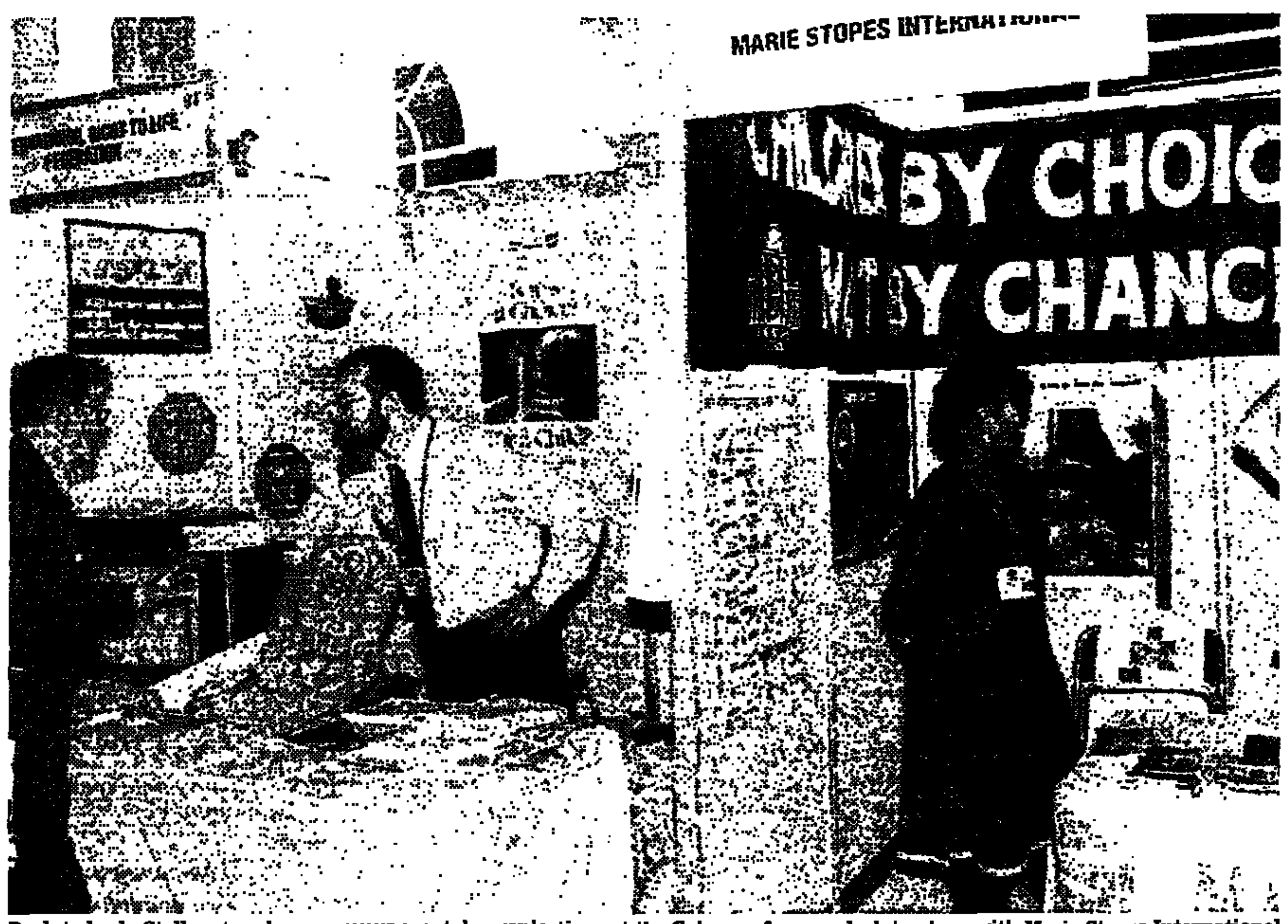
Miti last month informally asked Sanwa Bank to hire the official concerned, Mr Masahisa Naito, former director-general of Miti's industrial policy bureau, as an adviser. A Sanwa Bank official said yesterday Miti's request was unlikely to be refused.

● Japan's Foreign Minister Yohei Kono is to discuss Japan's bid for a permanent seat on the United Nations Security Council with UN Secretary General Boutros Boutros Ghali in Tokyo.

Japan has expressed an interest in becoming a permanent member of an expanded UN Security Council provided the move has the backing of neighbouring Asian nations.

Vatican makes waves at Cairo conference

By Mark Nicholson in Cairo



Back to back: Stalls set up by non-governmental organisations at the Cairo conference clash in aims, with Marie Stopes International (right), which accepts abortion as a means of birth control, next to International Right to Life federation, which opposes it. Reuter

The 17-strong Vatican delegation is among the biggest per capita of any attending the International Conference on Population and Development, given UN figures putting Vatican City population at 1,000. By yesterday fuming delegates from many countries felt that the Holy See was wielding disproportionate influence in the conference proceedings.

While top diplomats and career lobbyists grudgingly marvelled at the Vatican's discipline and tenacity in holding up consensus on the conference's critical text on abortion, many also asked if it was appropriate to have a religion represented at a convocation of nation states.

"If they are here, the Buddhists, the Moslems and the Hindus should be here; they have no right being here," a European diplomat said.

Such views were being widely voiced. "The Vatican is the only state in the world that has no children and no mothers, but still it has been able to hold up all the rest of the countries in agreeing this important document," one UN official said.

"Does the Vatican rule the world?" asked an exasperated Mr Maher Mahran, Egypt's population minister. "If they are not going to negotiate, why did they come?"

In response, Vatican officials said they had every right to be at the conference as they were among the world's biggest providers of health care, through almost 100,000 clinics and hospitals. "We may not be a traditional nation state, but we're the only organisation here with responsibilities worldwide," said one delegate.

Critics argued, however, that unlike all other states which have to govern people with health problems and formulate population policies, the Vatican was in Cairo principally to defend the tenets of a religion.

Abortion, mentioned no more than a dozen times in the 133-page draft text intended to offer a broad developmental approach to global population stabilisation, is anathema to the Catholic faith. Terms such as "safe abortion" cannot be squared with a faith for which every abortion is the ending of a human life.

Indeed, one Holy See delegate admitted that, above all, the Vatican wanted to prevent any possibility that the final Cairo declaration could be open to interpretation as offering an internationally sanctioned right to abortion.

The Vatican's critics have vehemently argued that no such right is sought, but rather the right of women to have access to "safe, effective, humane health care," to quote the World Health Organisation, and an acceptance that since the occurrence of abortion is an unassailable fact, governments should "deal forthrightly with unsafe abortion as a major public health concern," to quote the contested draft text.

But in haggling over the uneasy mesh of theological and UN conference terminology, the Holy See has proved a tough belligerent.

As Ms Francis Kissling, president of Catholics for Free Choice, put it: "They're good – they're intelligent, suave, sophisticated, tenacious. These people have been doing diplomacy for 1,500 years. This is the former Holy Roman Empire we're dealing with: they've made and unmade kings."

Some diplomats said the Vatican's strength also derived from having placed effective representatives within national delegations. "They are in with Malta, Guatemala: you don't know where they are," a European official declared.

The Vatican is additionally seen to be ably led, by Archbishop Renato Martino, the Holy See's observer at the UN, whom one official characterised reverently as "the most brilliant Vatican negotiator in the world". Bishop James McHugh, bishop of New Jersey and chief interlocutor with the US, has also won grudging admiration.

By last night, the Vatican had managed to keep at least 10 allied states from falling in behind the abortion text.

Many (Baroness Chalker, head of the UK delegation among them) felt that the Vatican and these states should simply state their objections and allow the conference to move on. "If they're going to enter a reservation but not wreck the conference, surely they should enter one now," she said.

The Holy See's representatives vehemently deny they intend to wreck the conference, but some other delegates believe the Vatican's intransigence in Cairo may weaken its position in future world gatherings.

"They have seriously overplayed their hand," says Ms Kissling, who cites a string of polls indicating that most faithful in a host of Catholic countries have long since forsaken Papal edicts on family planning.

"They will probably make what they see as progress on abortion here, but their stand is not going to help them at the next conferences. It is putting them further out of line with what most Catholics actually want and do."

World Bank chief says meeting the $17bn UN target is 'not the main issue'

Money 'no problem' for population policies

By Bronwen Maddox in Cairo

The World Bank has dismissed fears that lack of funding will prove a serious obstacle to the policies agreed at the global conference on population and development in Cairo.

As delegates become optimistic about reaching consensus on abortion, the issue which has dominated proceedings, their concerns are switching to the question of money. Mr Lewis Preston, the bank's president, said that meeting the United Nations target of $17bn (£11bn) a year by 2000 was "not the main issue". Better use of resources and improving women's education were greater problems, he argued.

Last year the bank spent $2bn on women's education, and $200m on family planning. It expects to spend 50 per cent more on family planning over the next three years. Mr Preston warned that developing countries would probably have to find two-thirds of the $17bn total themselves, as the UN's draft policy document recommends. This implies that developing countries' current level of spending on family planning – some $5bn a year – must more than double by 2000.

Although Mr Preston argued that $5bn amounted to less than 5 per cent of military spending in developing countries, the likelihood of a sharp increase in spending on family planning has been greeted with scepticism by women's groups.

"It is unrealistic to think that these governments will prefer to spend money on women's education rather than the latest aircraft technology," said one woman from a Moslem country, who asked not to be named. "They even find it humiliating to have someone suggest that they can't afford the latest western military gadgets because they still have all these ignorant women running around," she added.

Against a background of such concerns, developed countries have announced sharp increases in spending. Germany has indicated it may spend some $2bn by 2000. Mr Yokei Kono, Japanese foreign affairs minister, also told the conference Japan would provide funds for family planning "towards a targeted sum" of $3bn between 1994 and 2000. He said this would be co-ordinated with the $9bn he expected the US to spend in that period.

However, Mr Brian Attwood, administrator of the US Agency for International Development, said "this is not a pledging conference" and that talks of precise sums was inappropriate.

The US will spend $585m in the year to September 1995 – a sharp increase from spending on family planning under the Reagan and Bush administrations, which were determined that US funds should not be in any way connected with programmes involving abortion.

In Japan's case, the increase reflects its sensitivity to allegations it has in the past contributed relatively little to international development programmes.

UN agencies such as the UN Population Fund and the World Health Organisation – now headed by a Japanese – have found themselves grateful recipients of increases in Japanese contributions while other industrialised countries have cut back. About 10 per cent of US and Japanese spending on family planning will be diverted through UN agencies, delegates said.

Cash-strapped Arafat seeks to hasten aid

His credibility is linked with improving conditions for Palestinians, writes Julian Ozanne

International aid donors meet Palestinians in Paris today to speed the release of hundreds of millions of dollars of assistance vital to consolidate fragile Middle East peace.

A new aid agreement, with considerably quicker mechanisms of disbursement, has become the overwhelming priority of the cash-strapped Mr Yassir Arafat in his struggle to build the foundations of a credible Palestinian state.

Tortuous negotiations with Israel over expanding limited self-rule, the slow pace of international aid, the delicate internal political situation and the overwhelming problems of poverty, unemployment and decayed infrastructure all present formidable challenges to a sustainable peace.

On the positive side, the 9,000-strong Palestinian security forces appear to have taken firm control. Mr Arafat is still enjoying the honeymoon of his reunification with his people; the Palestinian National Authority is slowly taking shape building its technical capacity; and the peace process is moving forward with the extension of self-rule over the main services in the still-occupied West Bank.

But economic expectations are high and the tangible achievements few. Some economists believe the standard of living in Gaza has declined substantially since Israel redeployed its forces out of the bulk of the Strip last May and some prices have risen 50 per cent.

A large part of the responsibility for the deteriorating economic situation rests with Israel, which continues to deny thousands of Palestinian migrant workers permits to travel to their jobs in Israel.

But discontented Palestinians will blame Mr Arafat for their distress. Running the decrepit Gaza Strip was never going to be easy but Mr Arafat has been overwhelmed by the day-to-day difficulties.

First, he has had to learn some hard lessons about international economics and the tortuous mechanisms of the aid community.

Mr Arafat believed that once he was back in Gaza, the millions of dollars of aid pledged by donors would flow quickly. It has not and economics has become both the buzzword and the major headache of his court.

Donors, reluctant to fund administration and policing costs from taxpayers' money, and sceptical about the PLO chairman's financial dealings in the past, have insisted on a complex system of accountability. Disbursements from the Holst Peace fund, set up to finance the salaries and running costs of the embryonic Palestinian National Authority and technically worth $13m (£8.6m) a month, have been slow.

Donors have insisted on the presentation of audited accounts and receipts before releasing tranches from the fund.

The Palestinian Finance Ministry took time establishing itself to meet the requirements and is still constrained by a lack of technical expertise. International aid for the security forces worth $11m has been released but a regular system for funding has yet to be developed.

The United Nations is preparing to administer a "cop fund" worth $7m a month to pay salaries and running costs, but funds may be difficult to gather. Donor-funded projects have also been slow in materialising.

Japan has agreed $15m for police housing and a general clean-up of Gaza, the European Union signed a package contributing $1.5m to the clean-up operation, and the World Bank yesterday signed a $30m loan agreement for sewage, water, energy and transport projects.

Part of the problem is with Pecdar, the Palestinian agency responsible for executing projects with donors over which Mr Arafat initially exercised firm personal control. World Bank criticism forced him to cede some of this control, . but Pedcar officials say international criticism encouraged ministers to attack the agency and undermine its programme.

These issues will be discussed in Paris where it is hoped that the Holst fund will be expanded by up to $6m-7m a month to help meet the additional costs of taking over West Bank services and finance a revised budget deficit of $25m a month. But continued failure to make quick improvements in Gaza's living standards could have serious political implications.

"We have to be patient but for how long?" asked Mr Nabil Abu Irdeineh, an Arafat adviser.

"Expectations must be met and our people cannot wait for ever. Even Arafat doesn't know what will happen. If things go on like this, it is giving good material to the opposition."

Although the Islamic Hamas group opposed to peace with Israel undermines the Palestinian authority by providing better social services, the PLO, for the moment, is still gaining from the popularity of its return and the removal of the worse abuses of Israeli occupation in Gaza. But Mr Arafat must tread carefully with Hamas, which ultimately is bent on destroying the PLO and establishing an Islamic state from the Jordan River to the Mediterranean.

In the end, the strength of the opposition will depend on how successful Mr Arafat is in removing the glaring economic conditions which breed discontent and extremism. Pressing forward with democracy and winning more territorial gains from negotiations with Israel will also be vital.

Nigerian minister denies role in decrees

Nigeria's minister of justice said yesterday his ministry was not party to controversial new laws giving the military rulers sweeping powers of arrest, Paul Adams and Reuter report from Lagos.

"The ministry has to clear the air in that it has no knowledge, no copy or any information about the promulgation of these decrees which sweep away our liberties," Mr Olu Onagoruwa, the justice minister and attorney general, told a news conference. He said it was possible he would resign over the issue.

The three new decrees have extended the powers of Nigeria's military regime to suppress civilian opposition, after the collapse this week of a two-month strike by oil workers demanding that Gen Sani Abacha hand over power to the jailed presidential candidate Mr Moshood Abiola.

They strip the law courts of the power to challenge the government's authority, extend the term for detention without charges from six weeks to three months and proscribe three independent daily newspapers.

Ozone layer set to recover

The earth's protective ozone layer will reach its lowest level around the turn of the century and is then expected to recover gradually to near-normal levels within about 50 years, according to the latest scientific assessment of ozone depletion released this week by the World Meteorological Organisation and the UN Environment Programme, Frances Williams reports from Geneva.

The assessment confirms that international action to curb production of ozone-depleting chemicals such as chlorofluorocarbons (CFCs) has already begun to slow the build-up of these chemicals in the atmosphere.

However, it warns that "the ozone layer's most vulnerable period still lies ahead" and that the expected recovery is contingent on strict adherence by all nations to the Montreal Protocol which bans production of CFCs after 1995.

HK newspaper to print in Beijing

A Hong Kong newspaper publisher has won permission to print its English-language daily, the Hongkong Standard, in Beijing, the company said yesterday, Reuter reports from Hong Kong.

"We are the first and only foreign-language newspaper to be granted permission to be printed in the People's Republic of China," Mr Jim Marett, the group's general manager said. Publishers Sing Tao Holdings, founded by philanthropist Mr Aw Boon Haw who made his fortune by inventing Tiger Balm ointment, said the China print run would begin today

India broadens investment access

The Indian government yesterday approved 32 proposals for foreign direct investment worth Rs3bn (£62m), bringing to Rs164bn the total since the introduction of its reform programme in 1991 to more than Rs164bn, Shiraz Sidhva reports from New Delhi.

A committee of the Finance Ministry, which had cleared the proposals, said in a statement that some of the investments had projected export earnings of nearly Rs7bn over a period of five years. Projects include the establishment of a holding company, BPL Finance, by Sanyo Electric of Japan and its Indian partner, BPL Electronics.

Japanese hosts likely to face diplomatic embarrassment

Taiwan accepts invitation to Asian Games in defiance of China

By Laura Tyson in Taipei

Taiwan's President Lee Teng-hui has accepted an invitation from the organisers of the Asian Games to attend the event next month in Hiroshima, in a move which will embarrass the Japanese government and anger China.

China insists it will boycott the region's premier sporting event if Mr Lee is permitted to attend. China regards Taiwan as a rebellious province and Mr Lee as its illegitimate leader.

Mr Raymond Tai, presidential spokesman, told a press conference in Taipei yesterday that Mr Lee had accepted the invitation from Kuwait's Sheikh Ahmad al-Fahad, president of the Olympic Council of Asia, in order to "promote world peace and harmony". More than 7,000 athletes from 42 countries and territories are due to compete in the games from October 2 to 16.

Taiwan's foreign ministry meanwhile issued a statement saying that Mr Lee's acceptance had "nothing to do with relations between the Republic of China and Japan" and that the president merely wished to attend the event. Tensions have been escalating over the matter for the last month. On Tuesday Mr Tomiichi Murayama, Japan's prime minister, said Mr Lee's visit to Japan "may be difficult to realise".

The absence of Chinese athletes, considered the best in the region, would be a severe blow to the success of the games. Granting Mr Lee permission to alight on Japanese soil, even as an ordinary tourist rather than as a head of state, could also provoke diplomatic repercussions.

Japan switched diplomatic recognition from Taipei to Beijing in 1972, officially affirming Beijing's claim that Taiwan is a part of China.

Taiwan has threatened to boycott the games if Japan prevents Mr Lee from travelling to Hiroshima. "We don't rule out the possibility of boycotting the games if our national dignity suffers a serious blow," said Mr Chang Feng-shu, chairman of Taiwan's Olympic Committee.

Taiwanese legislators have urged Japan to allow Mr Lee to attend, arguing that politics should not interfere with sport.

Tajiks agree to delay elections

By Steve LeVine

Tajikistan yesterday postponed presidential elections scheduled for later this month, bowing to pressure from Moscow to open the field to opponents fighting a guerrilla war against the government.

The Tajikistan parliament voted overwhelmingly to delay the September 25 elections until November 6.

It was unclear, however, whether Mr Rakhmanov was genuine, given that he failed to lift a ban on the main organised opposition, the Islamic Renaissance party and the Democratic party. He merely told parliament: "We want as many candidates as possible to contest the elections, including those from the opposition."

If genuine, it would be a significant step toward ending a guerrilla war with opponents based across the border in Afghanistan by drawing them into the political process.

The vote follows intense pressure from Moscow and neighbouring Uzbekistan – both worried about the spread of instability – to end the fighting. Mr Rakhmanov is almost entirely dependent on Russian economic and military support to prop up his government, particularly the 25,000 Russian troops stationed in Tajikistan.

Clinton puts his stamp on legal system

By George Graham in Washington

President Bill Clinton may be having mixed success in persuading Congress to pass the laws he wants, but he is making more progress at putting his stamp on the men and women who will interpret those laws.

Already, Mr Clinton has won Senate confirmation for 86 of his nominees to be federal judges, and White House officials hope they may be able to squeeze another 40 or so through in the next few weeks before the Senate breaks up ahead of November's congressional elections.

That would not only make a dent in the sizeable backlog of unfilled judgeships that Mr Clinton inherited from President George Bush; it would also go some way to changing the complexion of the federal judiciary away from the conservative nominees of Mr Bush and President Ronald Reagan.

That includes Mr Clinton's two nominees to the nine-member Supreme Court, Justice Ruth Bader Ginsburg and Justice Stephen Breyer, the first two justices nominated by a Democratic president since President Lyndon Johnson.

In ideological terms, the change is not stark.

Very few of Mr Clinton's nominees have aroused much opposition. Most have been, like Mrs Ginsburg and Mr Breyer, moderates of unquestioned legal competence.

This is in contrast to the Justice Department, where in fields ranging from civil rights to anti-trust the Clinton administration has diverged sharply from the policies of the Reagan and Bush years.

The biggest confirmation row so far came over Judge Rosemary Barkett, a former Catholic nun from Florida whose reservations about the death penalty came under attack. But Ms Barkett eventually won confirmation to a seat on the 11th circuit federal appeals court, which covers Florida, Georgia and Alabama.

Another nominee who has aroused some controversy, Judge Lee Sarokin, has yet to be confirmed.

Mr Sarokin was removed in 1992 from a liability case against a cigarette company by the 3rd circuit appeals court to which he has now been nominated.

In diversity of background, however, Mr Clinton's selections differ radically from the white males chosen overwhelmingly by Mr Reagan and Mr Bush.

Among the judges so far nominated or confirmed, Mr Clinton has already picked more women than Mr Bush did in his whole four-year term, and over one-third more than Mr Reagan in eight years. The 28 black Americans he has nominated beat by almost 50 per cent the combined Reagan-Bush total.

Cayman Islands to send back Cubans

By Canute James in Kingston

The Cayman Islands will repatriate most of the 395 Cuban refugees in the British colony and will not accept any more, said Mr Michael Gore, the colony's governor.

This follows the US rejection of a proposal from the Islands' administration that the Cubans be transferred to refugee centres in either Panama or the US naval station at Guantánamo Bay in south-eastern Cuba.

Mr Gore said the Caymanian administration had no alternative but to repatriate the Cubans "classified as economic migrants. . . as the US authorities are unwilling to accept Cuban migrants from Cayman".

The move highlights Washington's difficulties in persuading Caribbean and Latin American nations to help house the growing numbers of refugees.

The first of 10,000 Cuban refugees due to be airlifted from Guantánamo to Panama were moved earlier this week, but Panama's government is only allowing the refugees to be housed for six months as a humanitarian gesture.

Meanwhile, Mr Ricardo Alarćon, head of the Cuban delegation negotiating with the US over the flow of Cuban boat people, was returning to Havana for consultations, Mr Warren Christopher, US secretary of state, said yesterday.

The Cayman Islands are 120 miles south of Cuba and small numbers of refugees have been arriving over the past two years. The flow increased recently, with 56 arriving last weekend, bringing the number since August 10 to 286. Most of the Cubans are in a special camp and others are kept in the prison. The Islands' administration said last week that this year's refugee budget had been exhausted.

Mr Gore said the British embassy in Havana would tell Cubans planning to flee to the Cayman Islands that they would not be allowed to stay.

Canny Menem wins second shot

But new constitution could backfire against the president says John Barham

Menem (left) and Alfonsin did a deal in secret on constitution

Argentina's new constitution is almost tailor-made to suit the interests of two men – President Carlos Menem and his old rival, Mr Raúl Alfonsín, the opposition Radical party leader and former president.

They negotiated in secret a package of constitutional amendments in which Mr Alfonsin supported Mr Menem's central objective – lifting a constitutional ban on successive presidential terms – in exchange for greater powers for the opposition, the legislature and the judiciary.

Mr Menem is now free to stand for re-election to a second, four-year, term in May 1995.

However, the reforms which came into force last month, are not popular. Mr Rosendo Fraga, a pollster and political commentator, says few people believe the reforms are essential. "The only reason for reform is Menem's re-election. The other clauses are only there to justify this." Mr Menem's positive image has now dropped below 40 per cent from over 50 per cent last December.

This has benefited the Frente Grande, an alliance of left-wing parties, ecologists and disaffected Peronists and Radicals whose support has grown strongly through opposition to the reforms and Mr Menem's re-election. Its growth threatens the balance of interests the Radicals and Mr Menem's Peronist party wrote so carefully into the new constitution.

Take the new election rules. In future, the president will be elected directly – replacing the old US-style electoral college. Elections will be held in two rounds, unless the winner takes at least 45 per cent of the vote first time around. Alternatively, the leading candidate would win with only 40 per cent of the votes if the runner-up is more than 10 percentage points behind.

This was designed to help the Peronist party, which normally polls over 40 per cent of the vote. But unless his image improves, Mr Menem could have to go through a bruising second-round vote, and his likeliest contender would not be a Radical, but Mr Carlos "Chacho" Alvarez, the Frente's telegenic leader, who boasts a rating of 24 per cent.

The new constitution adopts a semi-parliamentary form of government which Mr Alfonsin hopes will give Congress greater leverage over the government. Under the new rules, the president will appoint a cabinet chief, similar to a prime minister, to run the government's day to day business. Congress will be able to sack the cabinet chief with a simple majority in the Senate and Chamber of Deputies.

The difficulty with this innovation is that Mr Menem has already said he will not cede fundamental presidential powers. The cabinet chief could therefore become either an irrelevance or a source of friction between the president and Congress.

Mr Alfonsin also demanded that the 48-member Senate be increased by half, with the new members coming from the opposition parties in each of Argentina's 23 provinces and the federal district of Buenos Aires.

In addition, Congress gains new powers to reject presidential decrees, control the federal audit office and participate in running the judiciary. A new system allowing congressional committees to legislate virtually independent of the floor of the Senate or Chamber of Deputies is intended to increase the snail's pace of lawmaking.

However, the ruling Peronists dominate both chambers of Congress, so it is debatable how effective these added powers will be. Furthermore, the influential congressional committees could fall further under the sway of special interest groups.

The constitution includes new direct democracy clauses. Anyone who gathers the signatures of at least 3 per cent of the electorate can directly submit a bill to Congress. Congress can also call referenda, which if approved, cannot be vetoed by the president. The president can also call a referendum, although its result is not binding.

The courts also win greater independence. Mr Menem's domination of the judiciary – by packing the Supreme Court, or picking party hacks as judges – is deeply unpopular. A new independent council of magistrates comprising politicians, lawyers, academics and eminent persons will take over administrative control of the courts from the Supreme Court and select judges.

The council's detailed workings will be decided by a congressional law, which the Peronists will be sure to construct as liberally as possible. There is always the danger this body will be hijacked by the parties, undermining its effectiveness.

The governors of Argentina's 23 provinces have also won important new rights, especially over sharing federal taxes. At the moment, a complicated formula regulates sharing of federal tax revenues with the provinces.

The governors will probably get more money and win greater independence from Buenos Aires, strengthening them in their battle with Mr Domingo Cavallo, the economy minister, who demands they reform their oversized and corrupt public sectors.

Argentinians have followed the reform process with little interest. Many people think that instead of rewriting the constitution – this is the third reform since 1949 – the politicians should first learn to observe the original 1853 constitution.

Chiapas unrest worsens

A regional leader of Mexico's opposition Democratic Revolution Party has been shot dead in the troubled southern state of Chiapas, Reuter reports from Mexico City.

Mr Roberto Hernandez Paniagua, who was the centre-left party's head in the town of Jaltenango de la Paz, was shot several times as he cycled to a school where he was a teacher.

The shooting followed several days of growing unrest in Chiapas, where PRD supporters have protested at the results of the state's gubernatorial election on August 21. The PRD claims its candidate won the race but that the long-ruling Institutional Revolutionary Party was given the victory because of massive electoral fraud.

Labour party sweeps to power in Barbados

By Canute James in Kingston

Mr Owen Arthur, the new prime minister of Barbados, says his administration will not devalue the island's currency, despite charges made by his political opponents in the campaign for Tuesday's general election on the eastern Caribbean island.

Mr Arthur, a 44 year-old economist, was sworn in last night after his Barbados Labour party won 19 of the 28 seats in the lower house, ending 10 years of rule by the Democratic Labour party. Mr David Thompson, leader of the DLP and finance minister in the outgoing administration, is the opposition leader.

Responding to persistent charges from his political opponents that he planned a devaluation of the Barbados dollar, which has been under pressure intermittently over the past four years, Mr Arthur said the currency's parity, fixed by the government, would not be changed. The government's priority was a reduction in the island's 22 per cent unemployment rate, he said.

The election was called 15 months before it was constitutionally due, after Mr Erskine Sandiford, the former prime minister, lost a vote of no confidence in parliament when rebellious cabinet members, critical of his leadership, sided with the opposition.

Mr Arthur's immediate task will be finding measures to support the moderate growth which the economy is experiencing following three years of stagnation because of poor performance by tourism and sugar, its main pillars.

Flextech to launch TV for business

By Raymond Snoddy

Flextech, the fast-growing media group controlled by TCI and Dow Jones, publishers of the Wall Street Journal will today announce the creation of a European Business Channel.

The London-based channel will be launched in the first quarter of next year and begin by transmitting 18 hours a day before moving to a 24-hours a day service. It will be carried on the Eutelsat satellite system and will broadcast to cable networks and satellite dishes all over Europe.

The plan is to launch a dual service – a conventional service of business news and features with material from Dow Jones business television channels in the US and the Asian Business Channel in which TCI is an investor.

There will also be a more specialist digital service to be broadcast direct to computer screens. This is likely to compete with Reuters Financial Television which launched such a service aimed at foreign exchange, debt and treasury financial markets in London. Apart from regular briefings the Reuters service only transmits when it has potentially market-moving information to broadcast.

Several unsuccessful attempts have been made to launch a European business channel. Apart from segments of financial and business news – such as that provided by FT TV for NBC Superchannel – or very specialist services there is no round-the-clock business channel in Europe.

In February Flextech moved into the ITV system for the first time by buying a 20 per cent stake in HTV for £27m.

CFC black market revealed

By Clive Cookson
Science Editor

An "amazing black market" in chlorofluorocarbons is slowing down the transition to environmentally friendly CFC substitutes, an executive from ICI, the UK chemicals giant, said yesterday.

As a result, CFCs will continue to destroy the protective ozone layer in the upper atmosphere for longer than scientists had predicted.

Mr Michael Harris, external relations manager of Klea, the ICI business making CFC substitutes, told a British Association press conference in Loughborough, central England, that illegal CFCs were flooding into Europe, as the European Union phased out their production and legal importation.

A ban on CFC manufacturing takes effect in the European Union at the end of this year and in the rest of the world at the end of 1995.

The international agreement to phase out CFCs followed scientific evidence that they were destroying the ozone layer, which protects the earth from harmful ultraviolet radiation.

Dr Joe Farman, who originally discovered the seasonal "ozone hole", told the meeting that 70 per cent of ozone was lost over the Antarctic between August and October last year. This year's hole "is developing strongly," he said; "It's looking similar to last year."

Dr Harris said his information about the CFC black market was based on "market intelligence and talking to the user industries." Air conditioning and refrigeration companies are large-scale CFC users.

Thousands of tonnes of CFCs were reaching western Europe illegally, he estimated. He could not say where they were manufactured, though it is believed that eastern Europe or Asia are likely sources.

"The big high-profile users have switched to CFC substitutes, not only for public relations reasons but also because they want to be up with the new technology," Dr Harris said.

The black market relies on large numbers of small CFC users who do not want to make changes in their equipment to use the new substitute chemicals. And CFCs still cost only half as much as the substitutes.

Dr Harris blamed governments for "losing interest in the ozone issue just at the time when we need the most draconian monitoring and enforcement to make sure that we really are getting rid of CFCs."

He added that all the technology and manufacturing capacity was in place to provide safe substitutes for all applications of CFC without causing any disruption to industry.

Chancellor and Bank of England governor meet on interest rates

Monetary report adds to pressure

By Peter Norman
and Alison Smith

Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England, yesterday reviewed UK official interest rates with most City of London analysts predicting that they would stay unchanged for the time being.

However, the possibility of an eventual rise in base rates from their current 5.25 per cent was underlined by the Treasury's latest monthly monetary report which said recent indicators pointed to a further strengthening of economic activity.

The report, prepared for the meeting, highlighted the dilemma facing the Treasury and bank. On the one hand, underlying inflation was at its lowest level for 27 years in July and the broadest inflation measure – the gross domestic product deflator – at its lowest for 31 years in the second quarter. But growth – revised up to 3.7 per cent in the year to the second quarter – was the strongest since the final quarter of 1988.

"Monthly indicators point to a further strengthening of activity," the report said. It cited continuing growth in retail sales, manufacturing output, output expectations and falling unemployment.

Yesterday, the Halifax Building Society, the UK's largest mortgage lender, voiced its fears about the impact of an interest rate increase on the fragile recovery in the housing market.

Announcing the society's interim results, Mr Jon Foulds, chairman, commented that consumer confidence was lagging well behind the upturn shown in offical statistics. "We are concerned that any rise in interest rates would damage a very delicately poised housing market recovery," he said.

Mr David Gilchrist, corporate development manager, said that the society was expecting some recovery in the autumn. But if there were an interest rate rise and perhaps a further tax increase around the time of the Budget in late November, the housing market could remain depressed through the beginning of next year.

As usual, the Treasury report gave no insight into official thinking on interest rates while officials refused to comment on yesterday's meeting.

But City analysts suggested that the chancellor of the exchequer would be unlikely to opt for a pre-emptive interest rate rise at this stage and might prefer to wait for November, when next month's Conservative party conference is safely out of the way.

The chancellor's next monetary meeting with Mr George will be in less than three weeks on September 26.

● A new statistical system for predicting future inflation trends was unveiled yesterday by a City of London bank amid claims that it provides a more reliable guide than the current methods used by the Bank of England.

The system, developed by broker Goldman Sachs, sets out to create leading indicators for inflation by using a composite basket of economic data.

Goldman Sachs argues that the system is needed because the separate indicators currently used by the Bank of England to determine when an interest rate rise might be required for the UK economy are not providing a particularly reliable forecasts of future inflation trends.

Britain in brief

New code for links with schools

The Confederation of British Industry, the employers' organisation, published a new code of practice for building links between companies and schools today, and set a target for all its members to have links with education by the year 2000.

It said companies should agree measurable goals for their school links, which should be managed "as rigorously as any business project" and assessed by Ofsted, the government school inspectorate.

Mr Ian Dixon, chairman of the CBI's education policy panel, said: "We can – and must – do better. The challenge now is to maintain the momentum and to improve the quality, particularly in planning, monitoring and evaluating links."

The announcement followed publication of research by Cellnet and Motorola for the Institution of Electrical Engineers, which found that secondary school pupils did not find science teaching relevant, and were deprived of "real life" role models to make science and technology interesting.

Luxury hotel for Belfast

Hilton International, the world's leading hotel group, which is owned by Ladbroke Group, yesterday announced plans to build a £17m luxury hotel in Belfast city centre.

The hotel will be one of the largest developments in the Laganbank area, Belfast's main inner city project.

Hilton is linking up with Ewart, the Belfast-based property and investment company, to build the 187-room hotel. The balance will be in grants from the Laganside Corporation, with support from the Northern Ireland Tourist Board.

Development of the 15-acre Laganbank site is expected to be complete by 2000 at a cost of around £130m. The scheme includes concert hall and conference centre offices, shops and a multistorey car park and has won assistance from the European Regional Development Fund Financing.

Half trains to run in strike

As much as 57 per cent of the railway network will be open to services today during the latest 24 hour stoppage by signal workers, according to Railtrack, the state-owned company responsible for administering the system. This amounts to 6,090 route miles, the highest figure achieved since the conflict began thirteen weeks ago, indicating a further increase in the rail service through the use of managers and supervisors despite the continuing firmness of the strikers.

Oil module yard closes

Trafalgar House Offshore Holdings announced that one of its two Teesside yards is to close, in a restructuring prompted by the much reduced market for large offshore modules as the North Sea oil industry moves to subsea and floating production systems.

Mr Syd Fudge, managing director of Trafalgar House Offshore Holdings, said its other yards, at Port Clarence on the Tees and Methil, Fife, would remain open and continue operating normally.

"We have looked at the market, the opportunities and our capacity and tried to make them equate," he said. The UK's total current offshore fabrication capacity is three to four times the available workload, he added.

Methil has work until mid-1995 and Port Clarence into 1996; the company is pursuing more orders for both.

Green angst grows in UK

Eighty five per cent of people are concerned about environmental problems, but most are optimistic about what can be done to resolve them, according to a government survey of public attitudes to the environment.

The national survey showed that most people thought environmental clean-ups should be paid for by the organisations or people causing them, even if this meant that the cost of goods and services went up.

Cleanest power 'is nuclear'

Nuclear Electric, the state-owned utility, pressed its case for privatisation yesterday by producing its first environmental report.

With only three weeks to go before the deadline for submissions to the government's review of the nuclear industry, NE said that nuclear produced the cleanest electricity in the UK, and was raising its environmental standards. The company's report showed that NE met 12 of its environmental targets last year, but missed three. Dr Hawley said the highest dose levels were the equivalent of eating a brazil nut, adding "Lessons have been learned."

Locals back artillery range

Farmers and villagers in the Otterburn area of Northumberland are to present a special citizens' petition to the Commons, via Hexham Conservative MP Mr Peter Atkinson, appealing for the removal of the Ministry of Defence's Otterburn Training Area from designation as part of the Northumberland National Park.

The petitioners, who estimate the Army's presence is worth £6m annually to the local economy, are worried that recent criticism by environmentalists of the presence of military training within the national park could jeopardise the future of the artillery ranges which date back to 1911.

Lloyd's seeks run-offs code

Lloyd's of London has unveiled proposals to increase the efficiency of "run offs" – the management of claims faced by syndicates no longer underwriting new business. Companies managing run-offs will need minimum capital of £250,000 rising by stages to £400,000 for 1999 onwards, the same minimum capital standards as agents which manage syndicates, according to a consultative document issued yesterday. Lloyd's is also proposing to review the experience and qualifications of run off company staff and will demand that run off companies deploy effective computer systems. Run off costs amounted to some £135m in 1993.

Eyes on the prize of a reciprocal ceasefire from Ulster's loyalist terrorists

Kevin Brown, Tim Coone and Jimmy Burns on the peace strategies in London and Dublin

As the smoke of battle clears following the IRA's ceasefire announcement, the peace strategy being followed by the British and Irish governments is emerging through the haze.

It looked as though the process had gone awry on Tuesday when London dismissed as "premature" an historic meeting between Mr Albert Reynolds, the Irish prime minister, and Mr Gerry Adams, the Sinn Féin president.

While Mr Reynolds eagerly accepted Mr Adams' assurance that the IRA has ended its terrorist campaign, Mr John Major continued to demand "copper bottomed" guarantees that there will be never be a return to violence.

Meanwhile, in a theatrical confrontation in Downing Street, Mr Ian Paisley, Ulster's single most popular Unionist leader, was ejected from the cabinet room for refusing to accept that Mr John Major did not tell lies.

The dramatic series of events prompted reports of renewed tensions between London and Dublin, amid speculation that Mr Reynolds wishes to move much faster towards all-party talks on Northern Ireland than Mr Major thinks wise.

There are clear differences of perspective between London and Dublin, not least because most of the carnage inflicted by the IRA over the last 25 years has been within the UK.

The view from Dublin is also coloured by the historical fact that all the Irish political parties except Labour are descended from the old Sinn Féin party which campaigned for independence from Britain.

Perhaps because of these links, the Irish government is more convinced than London of the permanence of the Sinn Féin leader's change of heart, and less concerned about the possibility of a slide back to violence.

In spite of their differences, however, the two governments are moving in tandem towards the twin objective of entrenching Sinn Féin within the democratic process, while demolishing Unionist suspicions of a sell out to the IRA.

The British government was obliged to deprecate the speed with which Mr Reynolds moved to meet Mr Adams, because of the widespread distaste for the Sinn Féin leader, among Unionists and Tory rightwingers.

But ministers are keenly aware that the ceasefire declaration was opposed by a hard line faction in the IRA, and that it could collapse unless Mr Adams is able to show results from the so-called "unarmed struggle."

For the same reason, the government has reduced security patrols in N. Ireland, and would not be greatly unhappy to see Mr Adams make a second propaganda visit to the US, although it would formally urge President Bill Clinton not to grant a visa.

Mr Major also accepts that Mr Adams cannot deliver the guarantee of a "permanent" end to violence that London originally demanded because that would be regarded by the hardliners in the IRA as tantamount to surrender.

He has made it clear that Britain will accept any form of words that allows talks to start without the threat of a return to violence if Sinn Féin fails to achieve its objectives.

Ministers remain hopeful that a form of words can be agreed, although leading republicans say that further clarification is unlikely in the near future, because of the danger of provoking divisions within the terrorists' ranks.

Meanwhile, Mr Major's preplanned confrontation with Mr Paisley was intended to isolate his hardline Democratic Unionist party by demonstrating that threats and bluster will achieve nothing.

Mr Major also wanted to provide a sharp contrast between the DUP and the more constructive role being played by Mr James Molyneaux's Ulster Unionist party, which has broadly supported the peace process.

There were signs yesterday that the strategy was working. Mr Paisley compared Mr Major to Adolf Hitler, but ruled out taking his struggle for the Union to the streets, suggesting that his popular support may be declining.

Mr Ken Maginnis, a senior UUP MP, accused Mr Paisley of "harming the cause of Unionism," confirming that the UUP will continue for the time being to go along with Mr Major.

The big prize, however, is the prospect of a reciprocal ceasefire by the loyalist terrorist organisations, the Ulster Freedom Fighters and the Ulster Volunteer Force.

British ministers hope that Mr Major's brusque rejection of Mr Paisley's attack on his integrity will reinforce the government's insistence that no secret deals have been done with the IRA.

The indications are that the loyalist paramilitaries would probably call to a halt to violence if fears of a "sell out" can be assuaged.

However, Unionist leaders with links to the paramilitaries warned yesterday that the nationalist summit in Dublin was being interpreted by some terrorist leaders as evidence of IRA influence on the peace process.

Officials in both capitals say that the peace process is at an extremely delicate stage, and warn that an upsurge in Loyalist violence or a republican refusal to clarify the ceasefire could cause a breakdown.

Nonetheless, work is continuing on an inter-governmental "framework" agreement, expected in the autumn, which will make detailed proposals for Ulster's future. If the ceasefire holds, that will be when the real tough talking starts.

Getting the measure of PR

Claims that public relations cannot be evaluated are increasingly questioned, writes **Vanessa Houlder**

Ever since public relations emerged as a discipline in its own right, the industry has been struggling to prove its effectiveness and professionalism. But attempts to evaluate PR are often hampered by the belief that its methods are too subtle and results too intangible to be measured.

The view that PR was too "creative and intuitive" to be evaluated was long held by Shirley Horn, UK director of corporate communications at Hewlett-Packard, the computer manufacturer. Until three years ago, the nearest she came to measuring the effectiveness of her work was "eyeballing the size of the clippings binder".

But in 1991 she was sent, under duress, on a three-day course about total quality management. It convinced her that PR was a process that could be evaluated like other disciplines.

"I emerged on a soapbox," she says. "Since then, we have been successfully applying total quality management methodology to PR processes – documenting, measuring and continuously improving the effectiveness of each process." She now measures everything from the correlation between coverage and the speed of response to journalists' telephone calls, to the number of thank-you letters written by dinner guests.

Horn's belief that PR can be usefully evaluated is increasingly widely shared. "This is the age of 'if you can't measure it, don't do it'," says Sandra Macleod, managing director, Europe, of Carma International, a media evaluation service. It is one of more than a dozen media evaluation services recently established in the UK which quantify trends in media attitudes to various issues and messages affecting a company.

Part of the value of media assessment to a PR department is that it helps underpin the case for a particular budget.

Jane Drew, a public affairs manager at American Express, finds that using the Carma evaluation system helps demonstrate to senior management the effectiveness of PR campaigns. "We find it useful because PR is not taken as seriously as marketing or finance," she says.

Evaluation reports can also suggest ways to improve a PR campaign. Bass, the brewing company, uses the Impact system developed by Infopress, a PR consultancy, to keep track of messages concerning matters such as quality, innovation, tradition and management.

If the tracking studies show that a message such as "Bass offers quality brands" is being expressed less frequently in the press, the company will try to remedy the trend by, say, making extra efforts to publicise awards won by its beers, says Lesley Allman, external communications manager.

Evaluation reports may persuade companies to drop a campaign. For instance, a drive by Philip Morris to counter criticism about the impact of tobacco on health was found to be fruitless.

Other benefits of evaluation reports include identifying journalists who have been particularly favourable or hostile towards a company. PR departments may also be able to assuage the wrath of a chief executive incensed by a negative article, by demonstrating that overall coverage of the company is becoming more positive. Conversely, a critical press can sometimes alert a company to an area of weak performance.

But not everyone believes that media evaluation techniques are a satisfactory measure of PR's effectiveness. One inevitable problem is that PR managers have no direct control over the results of their efforts in the media. Moreover, it may be hard to disentangle the impact of a public relations programme from that of other marketing exercises, such as direct mail, promotions or sponsorship.

Another problem is that media response to a PR campaign is not the full story. The ultimate purpose of most PR campaigns is to influence consumers, or target groups such as shareholders or parliamentarians. The impact of the campaign may need to be monitored by using survey research, setting up focus groups, keeping track of share price movements and measuring sales.

PR evaluation also does not weigh success in limiting press criticism after a damaging news story has emerged. Admittedly, companies that continually attract negative comment can measure the performance of their PR departments by keeping track of the volume of negative messages in the coverage. The department can also measure its success in tempering the bad news with some positive messages.

But most commentators agree that the greatest obstacle to PR evaluation is cost. Although it may be reasonable to justify spending £10,000 to evaluate the effectiveness of a PR budget of, say £250,000, the cost of evaluation represents a large proportion of a small budget, unless research is carried out in-house.

There is a distinct lack of enthusiasm on the part of PR consultancies and their clients to find the extra cash to evaluate their campaigns. Quentin Bell, president of the UK Public Relations Consultants Association, recently dropped an attempt to introduce a standard evaluation tool for the PRCA's members, because of the lack of support for the move from clients and consultancies.

Jon White, a visiting professor of public affairs at City University, believes that the need of PR practitioners to evaluate activities is "partly a matter of professional insecurity". He points out that PR is not alone in experiencing difficulties with measurement and evaluation, which present problems in all areas of management.

The point is echoed by Mike Beard, president of the Institute of Public Relations, who argues that other disciplines such as finance, human resources, law and marketing rarely have standard evaluation systems. "Other professions are not obsessed by the issue, nor should we be," he says.

Yet the absence of an industry-wide measurement technique is regretted by many people who believe that PR needs to improve its professionalism. "It would make the industry more quality-oriented if it allowed itself to be subject to evaluation," says Dermot McKeone, deputy chairman of Infopress.

Quentin Bell goes further. It is crucial that PR demonstrates its effectiveness, he argues: "Unless we can get clients to insist on evaluation, there will not be a PR consultancy business in 25 years' time."

Tony Andrews

Convert to the cause: Shirley Horn was convinced that PR could be gauged

Caught in a trap

Extending a product line, rather than launching a new brand, has the attraction of offering quick rewards while minimising risk. The cost of successfully launching a brand in the US, for example, is typically $30m (£19.3m) compared with $5m for a line extension.

But being swept along in "line extension mania" can be dangerous.

In the latest issue of the *Harvard Business Review** John Quelch, a Harvard professor, and David Kenny, of consultancy Bain & Co, identify pitfalls which include:

- Excessive segmentation and consumer confusion. If product lines are extended without removing any existing items, the resulting clutter may drive consumers to seek simple, all-purpose products.
- Weakening brand loyalty. When a company extends its line, argue the authors, "it risks disrupting the patterns and habits that underlie brand loyality and reopening the entire purchase decision". Customers may be encouraged to switch brands.
- Missing out on new brands. Some products currently marketed as extensions could well have been launched as discrete brands. Long-term profits are often sacrificed in favour of short-term risk management, say the authors.
- No extension of demand. "People do not eat or drink more, wash their hair more, or brush their teeth more frequently simply because they have more products from which to choose," the authors say.

Other traps include damaging relations with retailers – the number of packaged goods in the US grew 16 per cent each year from 1985 to 1992, while retail shelf space expanded by only 1.5 per cent each year. Market share gains from line extensions are also short-lived, as they can be copied quickly by the competition.

Diane Summers

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The personal chemistry test

Motoko Rich on how to choose the right PR consultant

Selecting a public relations consultancy may seem a daunting task requiring a great deal of time, long lists of criteria and scores of interviews with potential agencies. But, in many ways, the process boils down to personalities.

"The most important thing is to look for personal chemistry," says Stephen Whitehead, head of PR for the UK operations of Glaxo, the pharmaceuticals company.

Finding the perfect PR is not as simple as spotting a stranger across a crowded room. "It is not the same as meeting someone at a party and having a nice chat with them," says Whitehead. "You want someone who will stand up to you. We do not want someone who is going to say 'yes' all the time, because we believe that out of disagreement comes creativity."

Most companies and PR consultancies agree, however, that a few standard steps must be taken. The first is to develop a concise, but comprehensive, written brief that expresses clearly why the company wants PR.

According to Meg Holmes, general manager of the PR Register, which steers clients through the selection process, the brief should set out requirements in a number of areas, including customer relations, corporate affairs, crisis and issues management, internal communications, parliamentary lobbying and links with charities.

The next step is to select a range of agencies. Information about consultancies is available in directories such as the Hollis UK Press and Public Relations Annual, which lists 1,200 agencies, separated into specialist categories.

Organisations such as the PR Register, the Public Relations Consultants Association, the Incorporated Society of British Advertisers and the Institute of Public Relations will also advise companies on appropriate agencies.

"The temptation is to go for too long a list of agencies," says John Brown, deputy chief executive at Burson Marsteller, a leading agency. "But it wastes your time as a client and the agency's time in preparing presentations." He recommends a short list of no more than six consultancies.

Brown says companies should whittle down their choices by setting exact criteria for what they want the PR to accomplish. "By saying we need A, B, C and D you can probably get down to five or six agencies that could possibly meet these needs," he says.

Each consultancy on the list should see the brief, and then prepare a "credentials" or "chemistry" presentation. "After these meetings we guarantee that one or two will drop off the list," says Holmes.

The final two or three agencies should be invited to give a full creative presentation, which usually lasts about an hour. Companies should insist that those who will work on their business give the pitch. "Some agencies tend to have luminaries to do the presentation and then the secretaries do the work on the account," warns Steve Gebbett, director and head of marketing at Charles Barker, a London-based agency.

The ultimate decision should be based on the programme and how it conforms to the company's brief, awareness of the company's market and competitors, political sensitivity, creativity – and, of course, the all-important personal chemistry.

Finally, "do not think the world will change just because you have appointed a PR company", says Kenneth Miles, director general of the Incorporated Society of British Advertisers. "But do expect something to happen and have an idea how to evaluate it."

TECHNOLOGY

Memory of shapes past

Miranda Eadie on the potential of an 'intelligent' biocompatible alloy

Nitinol, a biocompatible "memory" alloy developed in the early 1960s and recently further investigated for space applications, is showing potential for use in minimally invasive surgery.

This "intelligent material", composed of an almost 50:50 mixture of nickel and titanium, has the capacity to memorise a particular shape. It expands or contracts when heated and returns to its original shape when cooled. After being deformed through bending, stretching and compression, it then needs simply to be subjected to a predetermined temperature – in medical applications, to that of the body.

Shape memory properties of certain materials were first discovered in the 1940s. Yet it was in 1962 that William Buehler, a materials researcher for the US defence department, discovered those of nitinol. He used it for the coupling of hydraulic pipes in jet aircraft, and this same system is still used on the US F-16 fighter aircraft.

The other shape memory materials – copper, or polymer-based – have a more limited usage than nitinol since they do not exhibit such a range of movement and are not generally biocompatible. However, they are cheaper to produce (about £100/kg as opposed to about £500/kg for nitinol).

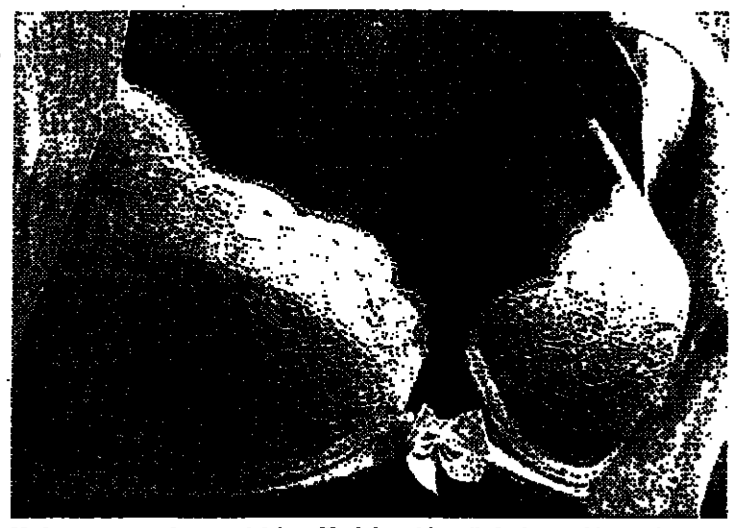
A particularly elastic version of nitinol was the first to appear in a medical application in the mid-1970s. It was used in dentistry to make orthodontic bands to straighten teeth. The elasticity and shape memory capacity of the material applies a constant tension on the teeth and avoids the repeated visits to the dentist which are required to re-tighten the more common stainless steel bands.

Another established application in medicine is for use as "clot-catching" filters in large blood vessels. Nitinol has also been used as urethral and tracheal stents (mechanical devices which open out and reinstate the cross section of fluid-carrying vessels).

It was not until the mid-1980s, however, that the full medical capacity of nitinol began to be realised. Tony Anson, an engineer at the Brunel Institute for Bioengineering in the UK, has played an instigating role. He became familiar with nitinol while carrying out research for the European Space Agency into its use for making "linear actuators", or moving devices, for Biosample, a space bioprocessing facility.

His work with nitinol brought him into contact with David Jenkins, orthopaedic consultant at the Cardiff Royal Infirmary, who asked him to investigate the material's potential in orthopaedic applications, in particular for the correction of backbone deformity.

This research inspired a host of other potential uses for nitinol, including bone repair staples and plates, soft tissue pins to repair torn ligaments, vascular connection systems to join fluid-carrying vessels and other types of stents for use in arteries and veins.



Made to measure: bras containing nitinol do not lose their shape with washing

The use of nitinol for bone repair staples is in clinical trial at the Cardiff Royal Infirmary and the results look positive, according to the researchers. These staples were designed for non-complex long bone fractures. However, researchers in the medical profession believe that by changing the scale of the staples they could be used on any of the bones in the body.

These staples are put into pre-drilled holes on either side of the fracture. The heat of the body warms the staple, which then changes to its memorised shape, pulling the bone ends together. A compressive setting of the bone at the fracture site is achieved.

According to Anson: "Such a treatment of broken bones may improve the strength of the union, reduce the time taken to effect the repair by 25 per cent, and is still one-third of the cost of presently available devices."

Experimental work into the use of nitinol for vascular connection systems is under way at the Brunel Institute for Bioengineering. "The connection device is essentially a hose clip," explains Anson, "and the whole connection procedure takes no more than 30 seconds and is leak free." This method of joining blood vessels together could be advantageous in coronary bypass operations where up to an hour is spent in suturing.

Sam Andrews of Charing Cross Hospital, London, is researching a minimally invasive technique for repairing abdominal aortic aneurysms (swellings of the main artery). Nitinol lends itself well to minimally invasive surgery because it can be introduced into the body as a narrow wire and, once inside, it can assume its memorised shape.

In this research, the nitinol is used as a stent to hold a fabric patch, or dacron graft, in place. The dacron graft is wrapped around a nitinol wire and fed into the aorta. When it is surrounded by blood, the nitinol warms up and expands to reform its memorised shape stent.

Evidence shows that such stents hold grafts firmly in place and do not migrate. Compared with traditional invasive surgery, the minimal access operation involves only a tiny incision next to the patient's groin, instead of a cut down the front of the body.

Nitinol also has non-medical uses in thermal control systems, for mounting components in integrated circuits and as underwiring in brassieres. Typical thermal control applications are found in kettle switches, on showers and mixer taps (which switch off at a particular temperature to prevent scalding), and on fire doors – such asd those at York Minster (which close when the temperature rises in the case of fire). In the latter case, it is the strength of nitinol which is being exploited – a 3mm diameter nitinol wire forming a spring of 2½cm diameter can move a force of 30kg.

The use of nitinol for mounting is exploited by the French company Souriau. Its system, which avoids complicated soldering, uses split shape memory sockets: these are wide open at low temperatures and close firmly around the component parts at ambient temperature. Repair of such circuits is easy; it is enough to cool the joints for the pieces to be taken apart.

Nitinol underwiring in bras is currently being commercialised by Japan's Wacoal at its factories in the US, Asia, France and Belgium. In contrast to traditional bras, Wacoal's do not lose their shape, even after repeated machine washing.

The nitinol needs simply to be warmed by the body temperature for the original preconfigured shape to be recovered. Over 3m Goodup bras, a popular Wacoal model with nitinol underwiring, are sold in south-east Asia annually.

The bra is one of the biggest markets for nitinol at the moment, according Tony Michael, of Memory Metals, one of two companies in the UK that market or process nitinol.

About 30 to 50 tonnes are produced annually for the global market by Furakawa of Japan, and Raychem and Special Metal of the US.

Taiwan's hole in one

Taiwan is aiming to capture the lion's share of a fledgling but potentially huge market in the newest high-tech wrinkle in golf paraphernalia.

In a textbook case of Taiwan's state-led industrial advancement, the government has transferred technology which it developed for the defence and aerospace industries to the manufacture of golf clubs.

The Materials Research Laboratory, part of the quasi-official Industrial Technology Research Institute, took existing carbon filament winding technology and applied it to the construction of golf club shafts.

Gloria Wu, a spokeswoman for the laboratory, says the technique provides greater power and control for the player. She compared the conventional tape-rolling technique with making an egg roll, which leaves pockets of empty space. "Using the filament winding method, there are no air spaces," she explained.

A private Taiwanese sporting goods company, Advanced Composite Design, recently began production of clubs using the technology. Four other local manufacturers are to start by the end of the year.

Wu believes filament winding will supplant other techniques over the next few years. With five Taiwan companies making clubs with it, the government hopes to corner a 70 to 80 per cent share of the world market.

Taiwan sporting goods manufacturers have already established a strong position making tennis rackets, fishing rods, bicycles and golf clubs. Soaring land and labour costs have prompted many Taiwan companies to move factories to southeast Asian countries and China. But makers of carbon-fibre golf clubs and other high-tech sports products have kept their manufacturing facilities in Taiwan.

Ever on the lookout for a club that can propel that little white ball further and with more precision, aficionados of the game are already lining up. "We've already got so many orders for the new clubs, we can't keep up," says Wu.

Laura Tyson

Anna Kochan looks at a new application that may transform an industry

Designing ways with electronics

Etching technology is about to put new life into high-tech electronics design which might otherwise reach its limits by the end of the century.

This is the view of Hewlett-Packard in Böblingen, Germany, where a $5m (£3.2m) investment is under way to make products whose computational speeds are four times higher than those available today and whose weight is more than halved.

At the high-tech end of the electronics spectrum, two trends are emerging which indicate a demand for higher performances, says Manfred Buchwald, HP program manager. One is the arrival of multimedia applications where the massive volumes of computation impose a high-speed requirement. The other is a growing miniaturisation trend in telecommunications where the emphasis is on size and weight.

The more sophisticated the electronics, the more components there are to be crammed into as small a space as possible on a circuit board. The limitations that Buchwald foresees, however, concern not the size of individual components but the circuitry connecting them. This also becomes more complex the more components there are. The circuitry is laid out on a stack of boards connected by electrically-conducting holes.

Developed by Dyconex in Zurich, HP's electronics facility combines a new method of making the electrically-conducting holes with a new backing, or substrate, material. Instead of drilling the holes – an operation which is not practical for hole diameters of less than 200 microns because of the brittleness of drilling tools – a chemical etching process is employed.

Plasma etching is already used for delicate cleaning tasks, such as the removal of fingerprints from surfaces. It uses microwaves to crack oxygen molecules in a vacuum. These attack the polyimide, reducing it to carbon dioxide and water. The process is quick, enabling all 30,000 holes on one board to be made in 15 minutes, compared with conventional mechanical drilling which takes 4½ hours, according to Buchwald.

The Swiss DYCOstrate technology brings other benefits. The smaller hole size permits the width of the lines and spaces to be minimised – to less than half their current width within a year, says Buchwald. More circuitry can then be crammed on to a smaller area, reducing the number of layers needed for the full circuit board, the fundamental component of electronic equipment.

"Experience so far has shown that DYCOstrate will reduce the number of layers from an average of eight-10 to two-four which will give a thinner and lighter substrate with significantly improved electrical and thermo-mechanical properties," says Buchwald. With fewer layers, the distance between components is shorter and the connection is straighter, so that the transmission of a signal from one component to another is faster.

Today, computers send signals at a rate of 100m-150m per second (their clockrate is 100-150 MHz). With DYCOstrate, Buchwald believes this will be speeded up to 400 MHz by 1996. The development time for an electronics product will also be considerably reduced as a result of DYCOstrate technology, Buchwald says, because it is easier to design for fewer layers. For a 12-layer board, it takes a computer program about two days to calculate the best possible component layout, he says. But, if the number of layers can be reduced to four, this calculation can be completed in 30-45 minutes.

The result, says Buchwald, is that the overall development time of a product can be cut by one to two weeks by cutting the number of layers in the electronic boards from 12 to four. This is especially important for getting products to market on time. Items such as workstations have a sales life of only 26-30 weeks before the arrival of next-generation equipment.

HP is pinning great hopes on the new DYCOstrate technology. Its success will depend on its early use in the industry and the degree to which it becomes accepted as a standard. Buchwald is optimistic. "Within five years, 60 per cent of the Böblingen facility's output will be produced using the Swiss know-how. If not, something is wrong."

If HP's hopes are realised, DYCOstrate's Swiss inventors have a bright future. They still own the technology and will sell licences to any manufacturer wishing to buy it.

ARTS

WYATT EARP (12)
Lawrence Kasdan

MR JONES (15)
Mike Figgis

COLOR OF NIGHT
Richard Rush

WRESTLING ERNEST HEMINGWAY (12)
Randa Haines

DARKNESS IN TALLINN
Ilkka Jarvilaturi

A MATTER OF LIFE AND DEATH (U)
Powell and Pressburger

Dennis Quaid, Kevin Costner, Linden Ashby and Michael Madsen (left to right) walk to the OK Corral in 'Wyatt Earp'

Cinema/**Stephen Amidon**

Shots that miss the mark

It is easy to see why Lawrence Kasdan's sprawling biopic *Wyatt Earp* runs for nearly twice as long as most other features – it wants to be two very different films. The first is a standard Western, complete with elegiac vistas of blood-red sunsets, free-swinging bar-room brawls, good-hearted whores and laconic heroes with droopy moustaches. The second film, meanwhile, is a wayward effort to demythologise the gunslinger icon along the lines of Clint Eastwood's masterful *Unforgiven*. Not surprisingly, these two antagonistic strands tend to cancel each other out, making for a distinctly unaffecting exercise in film-making.

This problem is crystallised in Kevin Costner's performance as Earp. Even after more than three hours in his company it is still hard to know what to make of the man. Is he a brutalising bully who hides behind a sheriff's badge and stoical cowboy code? Or is he the wise and strong patriarch of the Earp clan, reluctantly employing violence to protect his kin? Or simply a very human mixture of both? Neither Kasdan nor Costner are able to provide the answer to these questions, leaving a big empty at the film's core that all the action and scenery in the world cannot fill.

That said, Kasdan keeps things moving at a good pace, taking the viewer through the story's inordinate span with relative ease. Owen Roizman's photography looks great, and the shoot-out at the OK Corral is wonderfully understated, with the two groups of combatants gunning at each other from just a few feet away, most of their shots missing the mark. The best thing about the film is Dennis Quaid's portrayal of Doc Holliday, an acerbic, cynical turn that makes you wish Kasdan had stuck to his deconstructionist guns instead of muffling them with all those lovely desert vistas and Calvin Klein outerwear.

★

British director Mike Figgis's second American movie, *Mr Jones*, arrives on his native shores surrounded by a cloud of Hollywood horror stories about studio interference, including the classic about an executive who wanted the depressive parts of the hero's manic-depression to be edited out, leaving just the "up" sequences. As it is, the film seems to have weathered these crass assaults fairly well, making for a largely involving psychological drama that only comes unstuck in the final reel.

In it, Richard Gere plays a gifted thirty-something who suffers from the severe mood swings inherent in manic depression – at one moment he will be charming everyone out of their socks; the next finds him muttering, dishevelled and suicidal. It is easy to see why the Method-trained Gere would opt for such a role, especially given Hollywood's recent proclivity for awarding Oscars to actors who portray disabled characters. While his performance certainly is not on that sort of level, Gere does have several fine moments as he spars with shrinks, leaps on stage to conduct a symphony orchestra and steals a kiss from a babe on the street. Lena Olin is his match as the psychiatrist who forgets her Hippocratic oath as she falls in love with her patient.

Where the film is less than convincing is in the deeper things it has to say about Mr Jones's mental illness, which at times is presented as a curable condition while at others depicted as the central part of a winning personality which would be a shame to extinguish. One occasionally suspects that the film-makers' primary interest might lie in the cinematic possibilities of the disease's symptoms rather than in its true nature. This is nowhere more apparent than in the absurdly rosy conclusion, which has Olin abandoning her career to live with her uncured patient, as if love were a clinically effective substitute for lithium.

★

Psychological disruptions are also the order of the day in *Color of Night*, though they are just as likely to occur in unsuspecting audience members as on screen. It has been 13 years since the American director Richard Rush released his last film, the critically acclaimed and genuinely brilliant *The Stunt Man*. It is the sort of hiatus that usually means the artist either has a masterpiece up his sleeve or is suffering some sort of creative distress. Unfortunately, Rush's new film indicates the latter. The woeful plot involves Bruce Willis as a psychologist who takes over a murdered colleague's therapy group in order to find out which of its members committed the crime. Willis labours heroically to portray someone with a sensitive nature and a three-figure IQ, but carries too much tough-guy baggage to pull it off. By mid-film he seems positively relieved to be involved in a monumental car chase. His love interest is portrayed by Jane Marsh, who introduces herself to him as "a struggling actress". These prove to be the film's truest lines.

★

Wrestling Ernest Hemingway is a pleasant, understated drama about two elderly men striking up an unlikely friendship. Richard Harris plays a 75-year-old former sailor who finds himself washed up in a dingy Florida town, abandoned by his yuppie children and spurned by landlady Shirley MacLaine. All he has left are his memories (hence, the title) and his burgeoning friendship with retired Cuban barber Robert Duvall.

The best thing about the film, not surprisingly, are the performances by the two leads, particularly Duvall, whose musical Cuban accent never once falters. Unfortunately, director Randa Haines has made the mistake of having the film's pace match that of its heroes' lives, adding a half-hour to its optimum length and creating an unnecessary sense of torpor.

★

Viewers not sufficiently motivated by the prospect of seeing a Finnish-Estonian film should spare a second thought for *Darkness in Tallinn*, which turns out to be a highly enjoyable caper flick that is only incidentally set in the Baltics. In it, a group of marginally competent criminals schemes to steal the entire gold supply of the fledgling Estonian government by blackmailing a young electrician into turning off the entire nation's power. The resulting mayhem involves as many shocks and twists as the wiring of an old circuit box. Ilkka Jarvilaturi's direction of Paul Kolsby's knowing script eschews gore and political commentary to create a funny, well-paced thriller. A multi-million dollar Hollywood remake seems all but inevitable.

★

Finally, this week sees the re-release of a cleaned-up print of Powell and Pressburger's sublime *A Matter of Life and Death*. What is perhaps so striking about viewing this 1946 masterwork amid the rest of the current releases is to realise how daring and unfettered the filmmakers were 50 years ago, how alive they were to the possibilities of the medium. Despite the occasionally quaint dialogue and even quainter wartime ethics, this story of downed bomber pilot David Niven pleading his case before a celestial court in order to stay on earth with lover, Kim Hunter, looks and feels more giddily modern than most films being churned out nowadays.

ENO looks to Lottery for cash

Yesterday English National Opera announced rebuilding plans for its Coliseum home. In other words it launched its bid for Lottery cash.

The ENO is looking for between £40m and £45m to modernise one of architect Frank Matcham's grandest and most ornate Edwardian theatrical extravaganzas. The sum is much higher than anticipated, but Shaun Woodward, best known as a former director of communications at the Conservative Party, who is leading the appeal, has based his estimates on 1998 building costs.

The money will go towards a smarter front-of-house, a regilded auditorium, and more civilised backstage facilities, plus such money-making propositions as a glassed-over roof-top restaurant overlooking Trafalgar Square.

An anonymous friend of the ENO has already pledged £1m and there is another £250,000 in the bag. Woodward will go for both Arts Council and Heritage Fund Lottery money. Contacts should help: he knows well Peter Gummer, who chairs the Arts Council's Lottery division.

But to be certain of Lottery support against frantic opposition, Woodward knows he must make a strong case for the ENO. He is pushing its mass appeal and high standards. "If this place closed, the wider opera audience would have nowhere else to go."

To underpin the bid, general director Dennis Marks has already announced a 1994-95 programme which combines new productions of popular favourites, such as *Tosca*, with operas likely to appeal to enthusiasts, such as *Khovanshchina* and *The Rise and Fall of the City of Mahagonny*.

In his first year, Marks has raised attendances by 2 per cent, to a still worryingly low 62 per cent of capacity, but subscriptions are up 30 per cent and plans to introduce new productions of *Turandot*, *Fidelio* and a Jonathan Miller *Carmen* should see the box office take improving at the same time that Woodward woos corporate and private friends, and the Lottery providers.

Woodward knows that the ENO must raise at least a third, say £15m, of its target from its own resources. He hopes to sell the ENO to companies as the opera house for their workforces rather than for their boards. If all goes well the ENO will close for its facelift in mid-1998 and re-open on New Years's Eve 1999.

The Royal Opera House, Covent Garden, also plans to be closed at this time for its refurbishment, which equally depends on Lottery funding. Its appeal, for around £100m, will probably be launched next year.

□ □ □

On Tuesday another celebrated London arts venue announced its application for Lottery aid. The Riverside Studios, alongside the Thames at Hammersmith, is looking for £3.3m for a complete overhaul and to pay off debts. The debts, £300,000, are the most worrying. Unless the money is found by the end of March, new director Bill Burdett-Coutts' efforts to make the Riverside matter again will be doomed.

He is already finding it a challenge: the local authority has rejected his plan to moor a ferry by the Studios as a new performing space and restaurant on the grounds that it will disturb the ducks. A strong programme opens this week with new plays by Berkoff and continues with a London Comedy Festival.

Antony Thorncroft

Theatre/**Alastair Macaulay**

Design for Living

Some of Noel Coward's comedies succeed because they very shrewdly tell the truth, but others are merely enchanting lies. About such matters as bad manners, the dangers of charm, and offstage theatricality Coward knew plenty: witness the spot-on brilliance of *Hay Fever* and Present Laughter. About such matters as sustained sexual passion and responsibilities within adult relationships he knew far less: witness such delicious fibs as *Private Lives*.

Design for Living is a pretty fib about something Coward did not understand at all: bisexuality. But people have been lying about bisexuality for decades, and Coward's charming games with it are only seriously marred by his terror of calling a spade a spade and by his final pretence that a sexual threesome can be a good permanent arrangement. Sean Mathias's new production is, however, happy to fill in, in 1994, what Coward left out in 1933, and to tear away some of what Coward needed to add. His staging is sometimes much more than delicious, and to that extent it is on the verge of being the most important production of a Coward play London has seen in many years.

Design for Living is, you will recall, about the erotic triangle of Gilda, Otto, and Leo. Mathias's most audacious stroke is to tear it away from its original 1930s setting. This, at first, strips off that bright-young-thing polish that makes most Coward plays sound like make-believe. Mathias is strong on the sex between the three central characters, and thrillingly reveals the two elements of sexual passion about which Coward knew most: owning up to sexual attraction and sexual jealousy. He makes these gripping to us – much of the time – because he has the actors speak the dialogue – much of the time – with all the speed and attack that Coward's lines call for, and because – much of the time – they eliminate the airily glamorous artifice that is usually an adjunct of Coward's style.

The production begins with Gilda (Rachel Weisz) opening the fridge and soothing her inflamed body after a night of impassioned sex. Everything – the way her body radiates sexual excitement through its gorgeous and thin little shift, the sultry muzak in the air, the scatter cushions on the floor – plunges the play straightaway into the world we know. And the modern effect is thrilling throughout the first act, even though this is the play's least amusing. Thereafter, however, the production occasionally loses its nerve. Even Stephen Brimson Lewis's vivid designs stop being so "now" and becomes more ambivalent.

Rachel Weisz, the least experienced of the three players, gives far the most revelatory performance. No Cowardly world-weariness here. The way she plays Act One, as if still high on last night, is marvellous. She is all reckless self-discovery, and she embodies the dilemma of the modern woman: how to have it all? She wants sex *and* intimacy *and* independence; she is sexual and sophisticated but without a jot of calculation; she is endlessly spontaneous. There is a bubble of doll's-house hysteria beneath everything she does that makes her much the most interesting character in the play.

Clive Owen's Otto is even more radically conceived: no kind of upper-class accent whatever here. This does not always work; the words "my dearest dear" do not come naturally from his lips. In general, however, he goes for Otto's honesty. And his blend of roughness and tenderness make his bisexuality persuasive; we can even believe, sometimes at least, that he wants Gilda to realise herself as a woman and not just as his lover.

Paul Rhys, as Leo, starts with terrific freshness, and, like Weisz, he has the kind of good looks that make sense (sexually speaking) of the story. But, alas, he soon opts for the customarily artificial way of playing Coward: the more-clipped-than-thou vowels, the pretty-boy tricks of the eyes, the cultivated aloof facade.

The artificial way of playing Coward can, of course, be wonderfully funny. When Rhys says "You've been to Chuquicamata, I suppose?", he is uproarious. But by this point the play has retreated into never-never-land.

We may believe that Gilda can tumble back into bed with her old boyfriends, but not that *this* Gilda should want to stay there. The play's final scene is, eventually, one big lie.

Donmar Warehouse, London WC2

Alastair Muir

Clive Owen blends roughness and tenderness as Otto

INTERNATIONAL ARTS GUIDE

■ ATHENS

Odeon of Herodes Atticus Fri, Sat, next Mon and Tues: Lyon Opera Ballet in works by Angelin Preljocaj, William Forsythe, Susan Marshall and Bill T. Jones. Next Wed and Thurs: Salzburg Mozarteum Orchestra. Sep 22, 24: Monte Carlo Opera in Verdi's Otello (01-322 1459). Sep 18, 19 at Megaron: Giulini conducts Orchestra of La Scala (01-728 2333/01-722 5511)

■ BOLOGNA

Teatro Communale The autumn concert season opens on Sep 23 with an orchestral programme conducted by Jiri Kout, with violin soloist Viktor Tretiakov (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 di Bologna. No telephone bookings accepted. For information, call 051-529999)

■ GENOA

Teatro Carlo Felice The 1994-5 season opens on Sep 22 with the first of four guest performances of Tchaikovsky's The Maid of Orleans by the Odessa Opera (010-589329)

■ LONDON

THEATRE

● The Devil's Disciple: Christopher Morahan directs the National Theatre's new production of Bernard Shaw's 1897 satire on melodrama, set during the American War of Independence. The plot features the romantic villain Dick Dudgeon (played by Richard Bonneville), a disgrace to his family who is driven to an act of goodness through his own innate virtue. Opens tonight in the Olivier (National 071-928 2252)

● Babies: Jonathan Harvey's play, which won the 1993 George Devine Award, is the story of Tammy's 14th birthday party, which mum has thrown in order to ensnare her daughter's youthful teacher - without realising Uncle Kenny has the same taste. Final preview tonight, opens tomorrow (Royal Court 071-730 1745)

● The Hostage: Michael Bogdanov directs the Royal Shakespeare Company's new production of Brendan Behan's great Irish drama. Starts previewing tonight, Press night next Wed (Barbican 071-638 8891)

● The Slab Boys Trilogy: the first London showing since 1982 of John Byrne's comic trilogy, which follows the lives of three Paisley boys from desperate youth to despairing middle-age. The three plays can be seen individually or as a complete package on certain Saturdays. Previews start tomorrow, Press night Oct 1 (Young Vic 071-928 6363)

● The Winslow Boy: another step in the Terence Rattigan revival - this time, his 1946 play about the private cost of justice. Peter Barkworth is ideally cast as the stiff upper-lipped father, battling against Whitehall to prove the innocence of his son who has been expelled from naval college (Globe 071-494 5065)

● Arcadia: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 8800)

● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyndham's 071-369 1736)

● Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping chronicle play (Strand 071-930 8800)

● An Inspector Calls: the National Theatre's multi-ward-winning reinterpretation of J.B. Priestley's psychological thriller, directed by Stephen Daldry (Aldwych 071-836 6404)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick romantic musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA

Coliseum English National Opera's 1994-5 season opens on Mon with a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with a cast headed by Rosalind Plowright, David Rendall and Henk Smit (15 performances till Oct 27). Jonathan Miller's production of The Mikado is revived on Sep 21, and the second new production of the season is Massenet's Don Quichotte on Oct 8 (071-836 3161)

Covent Garden The Royal Opera opens its new season on Mon with a revival of Andrei Serban's production of Turandot, featuring Sharon Sweet and Giuseppe Giacomini, conducted by Daniele Gatti. La Cenerentola is revived on Sep 26, and the first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet returns on Nov 3 with the British premiere of Anthony Dowell's new production of Sleeping Beauty (new box office number: 071-304 4000)

Sadler's Wells British Youth Opera presents Eugene Onegin in repertory with Rossini's The Thieving Magpie between next Tues and Sat (071-278 8916)

CONCERTS

Royal Albert Hall Tonight: Lorin Maazel conducts Pittsburgh Symphony Orchestra in Rakhmaninov, Prokofiev and Ravel, with violin soloist Julian Rachlin. Tomorrow: Maazel conducts Beethoven's Eighth and Ninth Symphonies. Sat: Andrew Davis conducts Last Night of the Proms, soloists Bryn Terfel, Evelyn Glennie and Michael Davis (071-823 9998)

Wigmore Hall Tonight: Barbara Bonney song recital, accompanied by Geoffrey Parsons. Sep 19: Jennifer Larmore. Sep 20: Nash Ensemble plays new chamber works by Henze. Sep 27: June Anderson (071-935 2141)

South Bank Centre Tomorrow: King Sunny Ade - a rare London appearance by Nigeria's great bandleader. Next Tues: tribute to Django Reinhardt, gypsy jazz guitarist. Next Wed: Charles Mackerras conducts Mozart's Requiem and Janacek's Glagolitic Mass. Oct 2: Jessye Norman (071-928 8800)

Barbican Sep 21, 22: opening of London Symphony Orchestra's Mahler festival. Sep 29: LSO 90th birthday concert (071-638 8891)

■ MILAN

Teatro alla Scala The Zeffirelli production of La boheme is revived on Sep 17 for six performances starring Mirella Freni, Roberto Alagna, Nicolai Ghiaurov and Gino Quilico (02-7200 3744)

■ STRESA

The chief selling point of Stresa's annual music festival is its situation on the shore of Lake Maggiore in northern Italy. The festival continues for another 10 days, with concerts featuring Martha Argerich, Katia Ricciarelli and the Berlin Radio Symphony Orchestra under Vladimir Ashkenazy (0323-31095)

■ TURIN

Turin's annual music festival, Settembre Musica, continues with late afternoon and evening performances daily till Sep 22. Guest ensembles over the coming week include Steve Reich and Musicians, the Royal Concertgebouw Orchestra under Riccardo Chailly, the London Symphony Orchestra under Michael Tilson Thomas, Boston Musica Viva, and the Estonian Philharmonic Chamber Choir in an Arvo Pärt programme (011-881 5214)

■ WARSAW

This year's Warsaw Autumn contemporary music festival (Sep 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 16) in a programme devoted to Lutoslawski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter. Antoni Wit comducts the Polish Radio Symphony Orchestra in Panufnik's Sinfonia di Sfere (Sep 18), while Klangforum Wien devotes a whole programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtime programme on Sep 17 entitled Hits from the Sixties to the Nineties. Among the foreign composers represented this year are Henri Dutilleux, Magnus Lindberg, Bright Sheng, Salvatore Sciarrino, Elliott Carter and Cornelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland (Tel/fax 022-310607). During the period Sep 12-25, all enquiries to Warsaw Autumn, Hotel Europejski, Krakowskie Przedmiescie 13, Warsaw (tel 022-265051 fax 022-261111)

ARTS GUIDE

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When it's time to go to the country

BOOK REVIEW

REFERENDUMS AROUND THE WORLD: THE GROWING USE OF DIRECT DEMOCRACY
Edited by David Butler and Austin Ranney
AEI Press, $19.95, 304 pages

Democracy is always evolving. Now, just as its triumph over totalitarian ideologies appears assured, representative government – the goal of western democrats since the American and French revolutions – is under challenge from a different quarter.

The call for change comes from those who can be described as "direct democrats". Dissatisfied with the limitations of representative democracy, they want to give ordinary citizens an active role in government. Their main demand is wider use of referendums – something on which they are making significant headway. Theirs is a fraught struggle – and is bound to be so since they confront one of the world's most entrenched vested interests: the class of professional politicians.

This excellent study is both a catalogue of, and a commentary on, referendums across the world since the French Revolution. Nearly 800 national referendums are listed. While no decade before the 1970s records more than 80 referendums, there were 177 in the 1970s and 153 in the 1980s, about half in bona fide democracies. The tally for the 1990s looks set to exceed 200.

David Butler and Austin Ranney's catalogue includes *most modern dictatorships* – a reminder that referendums can also be a handy aid to dictators.

But referendums have played key roles in transitions to democracy. Like elections and bills of rights, however, the democratic credibility of a referendum is only ever as strong as a community's political conscience and culture (and dictators) permit.

For mature democracies, the key issue is whether referendums can deepen democracy by generating informed public debate on policy questions, and not just prejudice manipulated by demagogues or the media.

The experience of Switzerland *is critical* to any assessment because that country has held more referendums than all other nations combined. With 6.5m citizens, and a regime which since 1848 has proved more durable, democratic and prosperous than virtually any other, its example may offer important lessons for other democracies.

In addition to mandatory referendums on constitutional changes, 100,000 Swiss citizens can oblige the state, by means of an "initiative", to hold referendums on laws passed by parliament or on proposed constitutional reforms of their own devising. The Swiss typically vote on six to 12 national questions a year, spread over two to four separate ballots. Four striking conclusions emerge from the chapter by Kris Kobach, a former Oxford University doctoral student:

- *Switzerland's* representative institutions are not rendered irrelevant by the referendum process. Rather, parliament and the government are guaranteed a significant constitutional role, with power to make counter-proposals and to delay polls.
- Popular votes generally support earlier parliamentary decisions. But the prospect of a referendum on an issue, and the need to carry majorities in *more than half the 23 cantons* for constitutional changes, weighs on ministers and MPs.
- The referendum in Switzerland has in effect taken the role played by the opposition in other western democracies. Since 1959, the Swiss government has been a permanent cross-communal coalition of four largest parties, obliged to conduct a continual dialogue with citizens.
- Although most "initiatives" are defeated, they are still influential. Kobach cites the 1989 "initiative" proposing to abolish the Swiss army. It was defeated. But the 36 per cent vote in favour exceeded expectations, prompting cuts in the *size of* the army, a relaxation of military service and a civilian option for men (a proposal rejected in a 1984 referendum).

In Switzerland, then, referendums go hand in hand with federalism and a consensual approach to government. That means the Swiss model cannot simply be transplanted into different traditions.

Ireland is a case in point. In his chapter, Vernon Bogdanor, reader in politics at Oxford University, argues that the Republic abolished its variant of "the initiative" in 1937 partly, it seems, for fear that it could result in the tyranny of the majority.

On the same grounds, one could argue, a referendum process is unlikely to help secure lasting peace in Northern Ireland. Much would depend on the definitions of electorates and guarantees for Catholic and Protestant communities, each of which fears persecution by the other. If an Irish federation combining the Republic and Northern Ireland ever emerged, localised referendums could help provide legitimacy.

Bogdanor also discusses what lies behind the increasing resort to direct democracy in western Europe. He argues the rise of representative government in the late 19th century was accompanied by the rise of mass political parties. Dominated by professional politicians reliant on office for status and income, the parties halted movement towards direct forms of democracy. Voters accepted this, believing their interests depended on "their" party's triumph.

Now, however, ever fewer voters in the west identify with a single party, while ever more are suspicious of politicians. It is no accident that Italy, whose party system generated patronage and corruption on a massive scale, is the European country to witness the most dramatic increase in the use of the referendum in the past decade.

A century ago A V Dicey, the English constitutionalist, predicted that, "once established, the referendum would never be got rid of by anything short of a revolution". He may be right but, in Britain and perhaps elsewhere, political revolutions may be needed to make it an integral part of government in the first place.

Andrew Adonis

ECONOMIC VIEWPOINT

Good news is not always bad news

By Samuel Brittan

One of the paradoxical aspects of current economic discussion is the way that good news is presented as bad. If output rises more quickly then expected or unemployment falls faster, many market commentators treat it as bad news. The reasoning is that central banks will fear 'overheating', and will be more likely, in the case of the US and Britain, to raise short-term rates or – in the case of Germany – less likely to cut them.

A few dissenting economists have always suspected that the mainstream discussion was wrong and the instinctive public reaction correct. For instance, the American 'new classical' economist, Robert Barro, has chided the Federal Reserve for worrying about growth being too fast in its public presentations of interest rate policy.

The issue is particularly relevant in the UK the day after chancellor Kenneth Clarke's monthly meeting with Eddie George, governor of the Bank of England. In spite of a standstill in the housing market and a downward blip in consumer credit, the overall movement of the economy suggests that output is rising faster than forecasters expected. Goldman Sachs makes a plausible case that real gross domestic product outside the oil sector is likely to rise by 3 per cent this year and 4 per cent in 1995.

The conclusion of the investment firm is that "without higher interest rates there is a considerable risk of the economy growing much too fast for comfort". There is a good chance that the Bank will express, and the chancellor accept, such a view, if not this *month, then next month or* soon after. Moreover, Goldman Sachs persists in its call for higher interest rates even though underlying inflation is at a 27-year low and well below the Treasury's 'optimistic' summer forecast. The Goldman economists persist in spite of their own statement that the composition of the recovery is changing in favour of exports (10 per cent up in volume on a year ago) and investment (6¼ per cent up), and despite their more optimistic assessment both of the current balance of payments and of the government's borrowing requirement.

Obviously, there can be too much of anything. But the inflationary danger comes not from too much output or too much employment, but from too much expenditure. Indeed, to the extent that output rises to meet an increase in spending the inflationary danger is mitigated.

The object of policy should surely be to encourage a rise of expenditure in cash terms fast enough to support growth but not so high to finance an inflationary take-off. In current circumstances this would be about 5-6 per cent a year, not only in the UK, but also in many other western countries. However, the precise breakdown of demand growth in any particular year between greater output and higher prices depends on the actions of businessmen, trade unionists and other agents – as well as outside shocks and world events – and is not under the control of policymakers.

The current orthodoxy is not nonsense. The general idea is that future inflation depends both on the gap between actual and capacity output and the speed with which that gap is being reduced. The capacity gap is a useful aid to thought and I have used it in these columns in spite of sarcastic notes from former finance ministers. But to use it directly for setting policy presupposes a good idea of the trend growth of capacity, the present margin *of unused capacity and the size* of the capacity gap required to prevent inflation accelerating.

Nominal GDP versus inflation objective

Nominal GDP target of 5% growth p.a.
Allows, e.g., 2½% inflation plus 2½% growth
or 0 inflation plus 5% growth
or 5% inflation plus zero growth

Official target
Allows 1½% to 4% inflation
No (even conditional) growth objectives
Allows, e.g., 2½% inflation and minus 1% growth
Also allows price level to double in 28 years

It also depends on having a good idea of the likely growth of output under unchanged policy. It is idle pretence to suppose this knowledge exists.

The two years ahead, on which the Bank claims to take a view, are not nearly far enough for its present approach. For the main question about current trends is not whether they may lead to a temporary inflation peak of 4 per cent in 1996 – with which we could live – but a cumulative pressure on resources which will lead to ever rising inflation in subsequent years. It may be that because of sup*ply-side improvements, the UK* economy could sustain 4 per cent growth for several years ahead. On the other hand even 3 per cent growth may be too high.

Goldman Sachs makes a brave attempt to bypass these imponderables with two sets of leading indicators, which have had an empirical relation to inflationary turning points. The shorter indicator contains only three items – import prices, earnings and gilt-edged yields. This indicator gives a lead averaging six months, but it gave scant warning of the inflationary pressures of the late 1980s and its recent upturn is minuscule.

The longer indicator con*tains 11 variables, ranging* from monetary aggregates and house prices to industrial production and skilled labour shortages. The lead time here has averaged 20 months, but varied from 5 to 44. It has been rising, although not strongly, for 36 months. Such an index is a useful supplement to a conventional forecast, as are the bond market's inflation expectations. But all three signals together still leave 75 per cent of the decision to hunch, judgment and fashion.

My own often-stated preference is an objective for total national expenditure of which the headline measure is Nominal GDP and which can be *popularised as a national cash* objective. It has the great advantage of not pretending that monetary policy influences only inflation, and its pursuit would provide a safeguard against the kind of collapse of spending which took place in the 1930s Depression. A nominal demand objective would also provide some reassurance against fears – recently voiced by Jacques Delors – that downward pay flexibility would defeat itself by reducing demand for products and labour.

Indeed the Bank's economic director Mervyn King went part of the way, in a little-noticed section of his 1994 Institute of Fiscal Studies Lecture, to argue that by making use of the full range of the 1½-4 per cent official inflation target, something approaching the aims of a Nominal GDP objective might be fulfilled.

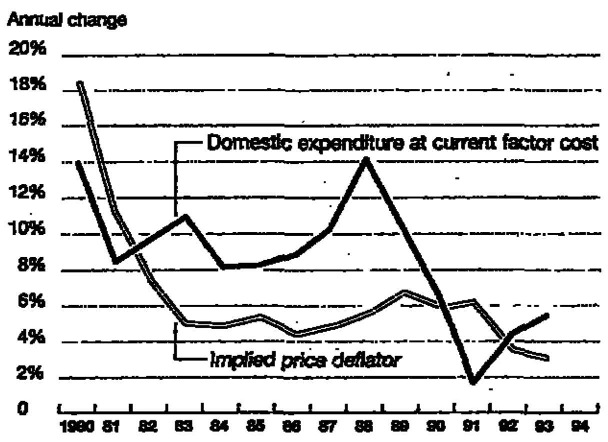
But quite apart from the question of whether that speech is official policy, it does not go far enough. For it still depends on what economists call a well-determined short-term Phillips curve – that is, an idea of the level of activity which would go with any given rate of inflation.

Many of the objections to a nominal demand *objective* misunderstand the proposal as one for short-term fine-tuning. That is why critics put so much emphasis on delays and revisions to the quarterly GDP data. In fact the intention is to influence the trend of spending rather than to hit a precise quarterly or even yearly path. If the idea were ever taken seriously it would probably be best to concentrate not on the exact measure known as Nominal GDP but on some alternative such as domestic expenditure at factor cost.

The chart shows how this measure explains, more convincingly than any other kind of analysis, the effects of the *credit* boom of the 1980s. The rise in underlying inflation was not that great, but inflationary spending was diverted into imports, which provided a safety valve while policy was being tightened.

The outstanding advantage of a nominal demand objective in present circumstances is that it would reduce reliance on forecasts. If a set of leading indicators could be developed for nominal expenditure so much the better. But it would not be disastrous to rely on what is actually happening. A slump would soon show itself in the growth of nominal expenditure falling below a 5-6 per cent objective, as it did in *1991-92*. Overheating would show itself in expenditure rising persistently above it. The ride would not be smooth, but it will not be anyway.

Nominal spending and inflation



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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Apec can be a force for global free trade

From Mr C. Fred Bergsten.

Sir, My colleagues on the Apec Eminent Persons Group and I appreciate your thought*ful comments* ("*Seeking a role* for Apec", September 2) on the new report, *Achieving the Apec Vision: Free and Open Trade in the Asia Pacific*, which we recently submitted to the Asia-Pacific Economic Co-operation (Apec) forum. We would offer four comments in response.

First, you ask whether the extensive dependence of most Apec members on the US market is a sufficient basis for regional trade liberalisation. There are certainly other bases: the large potential gains from eliminating the substantial barriers that still dot the region; concerns about the weaknesses of the global trading system and inward-looking regionalism in other parts of the world; the security interdependence across the Pacific and the American interest in the dynamic growth of Asia. But the members' desire to *maintain their trade access* to the US propels them towards new liberalisation initiatives because trade policy clearly slides backward towards protectionism in the absence of steady forward momentum.

Second, you note the presence of important trade disputes among the members of Apec. The need to address such conflicts more effectively is in fact one of our main reasons for recommending prompt adoption of a comprehensive regional trade programme, including the creation of a dispute mediation service to help resolve the disputes directly. We would hope that such a programme would *inter alia* induce the US to redirect at least some of its negotiating efforts into regional channels, and it is noteworthy that the US government has announced *publicly that it will not be rais*ing labour and environmental issues in Apec.

Third, we are confident that Apec will respond positively to your query over whether its regional efforts will support the global trading system. Leading European trade negotiators have testified that last year's Apec summit in Seattle was a significant, perhaps *the* significant, turning point in bringing the Uruguay Round to a successful conclusion.

Your concern that Apec would hurt the General Agreement on Tariffs and Trade by diverting negotiating resources is belied by the nearly simultaneous achievements of the Uruguay Round and three regional agreements – Europe 1992, Nafta and the Asean Free Trade Agreement. The global trading interests of all Apec members assure that they will do whatever is necessary to implement the Uruguay Round and strengthen the Gatt. Every proposal in our EPG Report either conforms fully to Gatt or goes beyond it to create new "Gatt-plus" arrangements.

Our group indeed believes that Apec can become a leading force for global trade progress.

We look forward to further dialogue during the run-up to the Apec summit that will address these issues in Indonesia on November 15.

C. Fred Bergsten,
chairman,
Eminent Persons Group,
Institute for International Economics,
11 Dupont Circle,
NW Washington, DC 20036-1207

Sauce of inflation

From Mr David Levaggi.

Sir, Recent Royal Mint adverts reminding punters that the anniversary £2 coin issue will cease at the end of September prompts the suggestion that the issue of a permanent £2 piece is long overdue. On the other side of the Channel, French FFr20 and German DM 5 coins have been in circulation for more than two years.

Bottom-line inflation may be "only" 2.5 per cent, but £1 is now a paltry sum compared with its purchasing power when sterling was first decimalised in 1971. Then, many urged a basic unit based on 10 old shillings, complaining that a £1 unit was too large.

There are still those who complain of the non-availability of a £1 note south of the *border (Hadrian's Wall not the* Rio Grande). This is notwithstanding that it will not even buy two units of my regular measure of inflation – a 228g bottle of HP Sauce which remains unaltered in size, shape and nature of contents since the end of the first world war. What cost 4d (£0.0167) in 1934 now retails, 60 years on, for about £0.58, a 35 times price increase, approximately.

David Levaggi,
4, Grosvenor Street,
Bury, Lancs BL9 9BJ.

Danger in making premature judgements

From Sir John Banham.

Sir, The logic of your recent editorial ("England's local shambles", August 25) fell below the levels that your readers have come to expect.

First, you assume what you set out to prove: that the Local Government Commission will produce unnecessary structural change, while ignoring the advantages of a more pragmatic approach and of improvements to the existing two-tier system. You would be wise to wait before rushing to premature judgements. The commission is well aware of all the risks you mentioned; indeed, we have alerted you to many of them.

Second, the changes of which you evidently approve – to correct the mistakes made in 1974 – will only be possible with the kind of independent but local consideration that the review is able to provide. How otherwise can parliament sensibly identify the "handful of large cities" to become unitary authorities, and those "counties…enjoying little local loyalty" which, presumably, you would like to see abolished.

Finally, you take us to task for implementing one of only two reforms that you believe necessary to enhance local democracy, the use of advisory local referendums to give electors a direct say on local matters of concern to them. This is precisely what the Local Government Commission is now doing throughout shire England, as we consult local people on the appropriate structure for their local government and to which there has been a magnificent and unprecedented response.

Of course, there are risks involved in the Local Government Review – just as there are in the alternative approach that has been adopted in Scotland and Wales. Managing them is not made easier by premature editorials riddled with fallacies.

Sir John Banham,
Dolphyn Court,
10/11 Great Turnstile,
Lincoln's Inn Fields,
London WC1V 7JU

Code should be adopted

From Sir Sigmund Sternberg.

Sir, With reference to your article, "DTI rejects Labour plea" (September 7), one wonders whether the Department of Trade and Industry is the best forum to investigate cases such as Lord Archer's Anglia Television share dealings. Consideration should be given to whether an independent body, such as the Institute of Business Ethics, comprising well-known people with practical experience, would not deal more competently and speedily with these matters. It is unlikely they would need five-months to decide no further action should be taken.

The Institute of Business Ethics has recently issued a code of conduct, which should be universally adopted.

Sigmund Sternberg,
chairman,
Isys,
Hyde House, The Hyde,
Edgware road,
London NW9 6LH

Extreme answer

From K Campbell,

Sir, Further to your report, "Ill-health linked to low status" (September 6), of a study presented at the British Association meeting, why was it not possible to shoot the civil servants as well as the baboons in order to take blood *samples?*

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FINANCIAL TIMES
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Thursday September 8 1994

John Major's Europe

The British prime minister has lost no time in responding to the challenge implicitly thrown out last week by his French and German partners when they outlined their separate, but overlapping, visions of the future development of the European Union. In his speech at Leiden yesterday, Mr Major welcomed "their emphasis on a more flexible Europe". Recalling his own preference for a multi-speed Europe in which some states "should integrate more closely or more quickly in certain areas" than others, he none the less insisted that such development must be acceptable to all member states, and that "no member state should be excluded from an area of policy in which it wants and is qualified to participate".

The French and German proposals have thus had the merit of obliging Britain to clarify its views. Mr Major named three areas "where conformity is right and necessary", which apparently means that there must be no opt-outs. These areas are international trade, the single market and – perhaps more surprisingly, but logically – the environment. (He should probably have added immigration, but this is an area the British government has not yet clearly thought through.)

Everything else, in Mr Major's vision, is *à la carte*. He claims a leading role for Britain in foreign policy and defence, while recalling that, on stage three of economic and monetary union, "I have thought it right to reserve the United Kingdom's position, and still do". Clearly what causes him anxiety is the attempt by the German Christian Democrats, and perhaps also (though this is less clear) by the French prime minister, to define a "hard core" of leading member states, for which full membership of Emu would be an essential qualification.

That would indeed be matter for concern if the proposal were to exclude non-members of Emu from participating in such things as the common foreign policy or common defence. But no one has actually proposed that. The CDU proposal is almost as much analytical as prescriptive: it says that leadership in the EU must come from a hard core of countries which "participate as a matter of course in all policy fields, but should also be recognisably more community-spirited in their joint action than others". The CDU thinks that core will initially consist of only five countries, but "must be open to every member state willing and able to meet its requirements" and must indeed seek actively to involve other member states more closely.

The only point on which it clearly differs from Mr Major is in refusing to allow him a veto on the efforts of other countries to move ahead in areas for which Britain is not ready. Britain's pretention to such a veto must in the long run be politically unsustainable. For the rest, Britain will no doubt retain the right to opt out of Emu and other aspects of the EU that it does not like. But the more it exercises that right, the more it will exclude itself from the EU's central leadership.

Open science

Mr David Hunt, who makes his first public appearance as science minister at the British Association meeting in Loughborough today, could do one thing to please all sections of his new constituency without committing the Cabinet to an extra penny of public spending. He should announce an initiative to open up to public scrutiny the scientific committees that advise the government on a vast range of subjects, from genetic engineering to nuclear waste. At present all meet in private. In future, their meetings should normally be held in public, with appropriate arrangements to protect commercially confidential information.

Such a move would be overwhelmingly popular with all sections of scientific opinion. The advocates of open scientific advice include not only academic researchers and environmental and consumer groups but also the biotechnology industry. Companies complain that the present system gives the false impression that they have something to hide.

Instead of the slow and secretive British system, the industry would prefer a quick public assessment of applications to carry out genetic engineering experiments, along US lines. A model is the US Recombinant DNA Advisory Committee. The first meeting of the Rac, as it is known, attracted 150 journalists in 1990; now a handful of reporters and other outside observers monitor its deliberations.

Mr Hunt could make a modest start with a co-ordinated effort to open up the expert committees advising on biotechnology, such as the Genetic Manipulation Advisory Committee, Advisory Committee on Releases into the Environment, and Gene Therapy Advisory Committee. But there is no reason to stop there. All committees giving independent scientific advice to the government, outside the specific field of defence and national security, should meet in public, as their US counterparts do under the Government in the Sunshine Act. Meanwhile, the policy-making committees of ministers and civil servants would, of course, remain closed as at present.

The opening-up process should also extend to advisory committees on the civil nuclear industry, where the history of secrecy has left a legacy of public distrust which the young biotechnology industry rightly sees as an awful warning. As in the US, arrangements can be made to protect genuinely sensitive information without shrouding the whole procedure in secrecy.

The scientific community was sad to lose Mr William Waldegrave, the most popular science minister for many years, to agriculture in the July cabinet reshuffle. An open advice initiative would be an ideal way for Mr Hunt to establish his credentials as Mr Waldegrave's successor with the scientific world. At the same time, it would send a strong message that momentum has not been lost on another of his responsibilities: open government.

Trade embargoes

The ending of Malaysia's nine-month ban on public contracts for British companies is probably as much a cause of relief in Kuala Lumpur as in London. The dispute had become an embarrassing headache in both capitals. But while the two sides now seek to restore normal relations, they and other countries should reflect on the wider lessons of this dispute, which underlines the dangers that arise when trade is held hostage to political objectives.

Neither side can take much pride in its conduct. The ban, in response to UK newspaper reports that a British company had tried to bribe Malaysian politicians, was misjudged and out of proportion. If Malaysia's real target was the British press, as it claimed, it should have sought redress through Britain's courts. It should also have been encouraged to do so by the UK government and affected companies. To their discredit, some British politicians and businessmen seemed keener to appease Kuala Lumpur, by calling into question the principle of press freedom.

Dr Mahathir Mohamad, Malaysia's prime minister, will doubtless argue that he has lifted the ban because he has made his point. As likely, however, is that it had become counter-productive. Dr Mahatir has ambitious plans for Malaysia to become an industrialised country by 2020. If it is to do so, it will need to continue attracting the inflows of foreign private capital and technology that have fuelled much of its rapid development to date. The trade ban hardly sent a reassuring message to prospective international investors, who have plenty of alternative destinations.

Malaysia is far from alone in trying to use trade – or unilateral threats to disrupt it – as a political lever. The US has also sought to do so, when pressing China and Indonesia to improve their human rights records. The Clinton administration also faces domestic pressure to discriminate against imports from countries that do not respect US environmental rules.

Such tactics, even when well-intentioned, amount to an attempt by one country to impose its values and standards on others, by force. There is also little evidence that they achieve their objectives. Indeed, in an ever more inter-dependent world economy, they risk rebounding swiftly on their proponents. Witness Washington's retreat from threats to deprive Beijing of most favoured nation trade status, under pressure from warnings by US companies that such action would jeopardise their efforts to expand business in China.

The advance of global economic integration is bound to make the disparities between countries' cultural, political and social values more salient. To cope with the friction, what will be needed is increased efforts to accept those differences and, where necessary, negotiate constructively upon them. Aggressive unilateral trade actions are the wrong response.

Lionel Barber explains the motives behind controversial French and German suggestions for developing the EU

Fresh meat from Europe's stable

"All animals are equal, but some animals are more equal than others"
– George Orwell, *Animal Farm*, 1945

Since its inception, the European Union has rejected the notion of first- and second-class citizens. Talk of inner circles or exclusive clubs has always been taboo, despite stark differences in wealth, size and population among the member states.

Now Germany, the biggest and most powerful member of the club, has broken ranks. Last week, the ruling Christian Democrat party and its CSU coalition partners came out in favour of a Franco-German-led "hard core" of five nations committed to faster integration. The paper, echoing similar thinking within the French government, ended an uneasy truce over the pace and scope of integration which has prevailed since last November's ratification of the Maastricht treaty.

Whether by accident or design, the Germans have triggered a debate on the issue at the heart of the EU's inter-governmental conference in 1996 to review Maastricht: how can the Union preserve its integrated structure while embracing an ever-increasing number of member states, notably the former communist countries of central and eastern Europe?

Most member states would prefer not to peep into this Pandora's box. Organising a European Union of 20 to 25 member states will require an overhaul of EU institutions and procedures, which could jeopardise the delicate balance of national interests that has ensured political stability in western Europe for more than a generation.

In an expanded Union, tiny Luxembourg (population 450,000) could not reckon on preserving its disproportionate voting power in EU decision-making. The "Club Med" countries of Greece, Spain and Portugal risk reductions in regional aid to accommodate the east Europeans. "All these changes awaken fears among smaller and poorer states of being marginalised," says a Commission official.

For the UK government, the contents of the CDU/CSU paper threaten to reopen civil war in the ruling Conservative party. Mr John Major, prime minister, papered over divisions during his speech in The Hague yesterday, which called for new, flexible methods of co-operation while rejecting the idea of a two-tiered Europe. But he remains trapped between Euro-philes, worried about Britain being left in Europe's slow lane, and Euro-sceptics, resolutely opposed to further dilutions of national sovereignty.

This week's diplomatic storm surrounding the CDU/CSU "discussion paper" would have passed quickly had its authors avoided naming countries which they deemed worthy of membership of a hard core: the assumption that not all countries would enter tighter economic and monetary union on schedule by 1997-99 is hardly new. Indeed, the Maastricht treaty explicitly provides for a "multi-speed" formation. But by excluding Italy (a founder member of the European Community in 1957) as well as Spain and the UK, the German paper pre-empted a future decision on which countries will qualify for Emu and caused a needless slight.

Chancellor Helmut Kohl's explanation that the CDU/CSU paper was not official government policy served only to fuel questions about the timing and motives behind it. Some observers viewed the paper as floating a trial balloon staking out the German position ahead of 1996; others saw it as a pre-emptive warning to the British and the Danes, the "semi-detached" members of the Union, who have long sought to temper enthusiasm on the continent for faster, deeper integration.

Both views may overlook narrower German calculations linked to next month's general election. Mr Wolfgang Schäuble, second only to Mr Kohl in the CDU hierarchy, and Mr Karl Lamers, the CDU's chief foreign affairs spokesman, launched the paper in the apparent hope that it would prevent the party's more conservative supporters defecting to fringe German nationalist parties. Significantly, the CSU came on board, despite the misgivings of Mr Edmund Stoiber, the CSU's Bavarian prime minister and avowed Euro-sceptic.

Yet it is also clear that Mr Kohl and his closest advisers are convinced that the time is ripe for an open debate about the future of European integration and Germany's place in it. Mr Kohl remains determined to avoid a repeat of the Maastricht experience, when the Europe's policymaking elite lost touch with the public.

The paper's implicit message is that a frank exchange must take place with France, Germany's most important ally. In blunt terms, it points to differences on economic policy, including competition law, the objectives of the common agricultural policy, industrial policy and trade. The paper says that, if Germany puts forward plans for deeper political integration, France must reciprocate with "equally clear and unequivocal decisions".

"France must agree to a common European foreign policy, not just continue with a French foreign policy," says a German official in Brussels.

In a striking passage, the authors argue that France's "basic" commitment to deeper integration remains indisputable; but they proceed to fret about French attachment to the nation state. "The notion of the unsurrendable sovereignty of the 'Etat nation' still carries weight, although this sovereignty has long since become an empty shell."

The dilemma Germany and France face is how to preserve the Franco-German alliance while simultaneously widening EU membership to eastern Europe. As the CDU/CSU paper implicitly acknowledges, enlargement clearly serves Germany's economic and geographical interests; but it also risks diluting France's political leadership role in the Union.

France was a reluctant convert to the present enlargement of the Union to encompass Austria, Finland, Sweden and Norway – partly because it appeared to expand Germany's sphere of influence and tilt the Union northwards.

A senior Commission official predicts that the French will come round to enlargement. Yet he warns that the Union will tilt even further east: "The first round of enlargement will be Poland, the Czech Republic, Hungary and Slovakia, but the second round will come soon after. That means Slovenia, the Baltic states and, if the war in Yugoslavia comes to an end, maybe Croatia."

The contents of the CDU/CSU paper threaten to reopen civil war inside the UK's ruling Conservative party

This week, Mr Edouard Balladur, French prime minister, perhaps with an eye on next spring's presidential election in France, staked out his country's position on future patterns of European integration.

In his view, Europe could organise along the lines of three concentric circles. France and Germany would head an inner core; other EU members wishing to travel more slowly could join a second circle; while the east Europeans would be consigned to an outer ring reflecting their backward economies. Crucially, Mr Balladur avoided naming which countries would form the hard core, or how his version of "variable geometry" would operate in practice.

In fact, "variable geometry" is a highly complex subject upon which the best technocratic and legal minds in Europe have only just started to reflect. The German plan for an inner core, Mr Balladur's remarks and Mr Major's speech yesterday all offered different patterns of integration. The difficulty is that variable geometry can mean different things. In rough terms, there are three options:

- Variable speed Europe. Most experts argue that there is nothing wrong with countries moving at a different pace towards common objectives. Britain was involved in the creation of the European Monetary System, but only joined the European exchange rate mechanism several years later. Similarly, less developed economies such as Greece and Portugal are allowed "derogations" or transition periods for single market legislation in banking and insurance.
- Europe *à la carte*. The consensus is that complete freedom of choice to accept or reject core obligations, such as the common agricultural policy or a common competition policy, would undermine the Union beyond repair. It would conflict with the treaty of Rome, unravel the single European market, and destroy the single institutional framework embracing the European Commission, the European Court and the Council of Ministers.
- Variable geometry. This option lies somewhere between the two above options. It would acknowledge that some member states have different interests, but flexibility would have limits. Variable geometry would be subject to agreement by all other member states.

In practice, variable geometry already exists. Britain does not take part in the social chapter of the Maastricht treaty. Denmark has special protection against foreigners buying second homes. Ireland is not a member of the West European Union, the EU's emerging defence arm. France is a member of Nato, but is not a member of the alliance's integrated command.

The challenge is how to apply variable geometry in an expanded Union, and how to adapt it to deal with the economic and budgetary problems posed by the entry of the east Europeans. "The paradox is between what you want politically on the one hand, and what is mathematically sustainable on the other," says Mr Hans Van den Broek, EU commissioner for external political affairs.

The attractions of variable geometry are immense: able and willing states could press ahead according to their own pace, while others would retain the freedom to stay behind or catch up later. It could also allow the east Europeans generous transition periods in which to prepare for full EU membership. Yet the risks are also considerable if the variable geometry grants too much latitude.

A senior EU official points out Britain may not subscribe to the social chapter, but it is bound by social policy provisions in successive European treaties: "The social protocol [in Maastricht] is only a small part of the whole."

Similarly, there are big risks in allowing member states to opt out of EU decisions. Under a 1971 European Court ruling, where the Union has been given "competence", or responsibility, in areas covering the internal market, it extends automatically to international negotiations. Hence a decision to allow 10 members of a 25-member Union to opt out of legislation covering air quality would create a legal and political minefield. "The Japanese and Americans would rightly ask who the EU was representing," says one legal official.

The issue of whether the EU – through the Commission – has a distinct legal personality in matters such as trade has led to friction with France. Arguments over individual rights and collective responsibilities are equally important in the area of foreign and security policy, where full freedom to oppose decisions would paralyse the Union.

Many observers believe that the answer to these conundrums lies in constructing a minimum set of rules and obligations to which all member states could subscribe, perhaps in a new Euro-constitution. Franco-German thinking appears to be proceeding on these lines, coupled with a stricter definition of Union-wide competences and matters reserved for the nation states.

Yet all these attempts to resolve disputes over the shape of Europe ignore the present political constraints on member states and the fragile state of public opinion. Moreover, the bargains necessary for a comprehensive agreement have barely been identified, let alone negotiated among the existing and future member states.

Thus France has yet to signal the degree to which it will commit itself to political union in return for the prize of a single European currency. Despite Mr Major's speech yesterday, Britain has yet to reveal how it reconciles claims to be at the heart of Europe with its opt-out of European monetary union and non-participation in other areas.

Perhaps the most promising area is defence, where tight budget constraints and the US administration's active support for a new European force operating under the Nato umbrella may succeed in accelerating agreement in 1996.

But many diplomats in Brussels suspect that the temptation will be to defer tough choices, even if the price is a delay in EU membership for the eastern Europeans. What is clear is that the past few days have witnessed the start of a constitutional debate on the future of Europe. Nobody can stop it.

OBSERVER

Hard-hitting mouth-piece

■ Alastair Campbell, the journalist recruited by Labour leader Tony Blair as his personal press spokesman, is clearly not a man to pull his punches.

The 37-year-old Cambridge graduate, most recently assistant editor on Rupert Murdoch's left-leaning Today newspaper, is fondly remembered by fellow hacks chiefly for his showdown with Michael White, the Guardian's political editor, just after the maritime disappearance of Robert Maxwell. The amiable White was musing upon the fate of "Captain Bob, bob, bob, bob ..." Campbell, then political editor of the Daily Mirror, leapt to the defence of his deceased proprietor, and there followed a sprited physical exchange. Enter the intrepid David Hill, Labour's chief spin doctor, who broke up the warring factions.

But Campbell obviously made an impression. No doubt he and Hill are now in search of subtler ways to put across their views.

Fingered

■ Russians seem to have a sweet tooth – and are willing to pay for it. In return for the 200 tonnes of Cadbury's chocolate fingers Hillsdown Holdings sold to Russia this year it has received hard cash. No bartering, and absolutely no attempt to pay for the nibbles in plutonium. But, says chief executive David Newton, finance director Raymond Mackie has been known to light up in the dark...

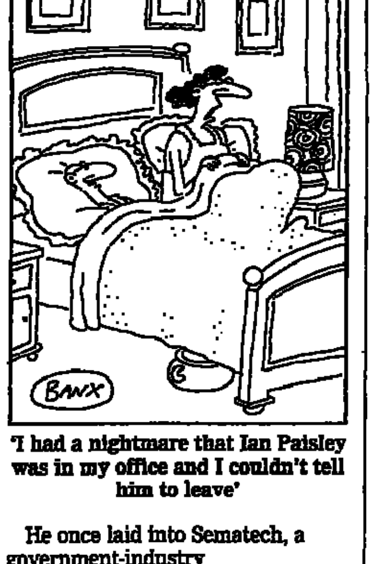
Clean fight

■ Guess who is thumping the morality tub in the fight for a US senate seat in Virginia? Why, none other than Oliver North, the retired Marine lieutenant colonel who lied to the US Congress over the Iran-Contra affair.

North – who says "character always counts in a campaign" – accuses his main rival in November's election, Senator Charles Robb, of having a "seriously flawed" character and lacking the "moral force" to hold public office. The attack is based on Robb's admission of "socialising in situations not appropriate for a married man", while serving the state as governor in the mid-1980s.

Fishy chips

■ T.J. Rodgers, chief executive of Cypress Semiconductor, a Silicon Valley chip-maker, was once a rather odd fish in the arcane world of the US semiconductor industry. While most US chip producers rush for the trough as soon as they sniff government money, Rodgers has often bitterly attacked such subsidies.



'I had a nightmare that Ian Paisley was in my office and I couldn't tell him to leave'

He once laid into Sematech, a government-industry semiconductor research and development consortium formed in 1987. Sematech gets half its loot from the Defense Department, the rest from member companies. Rodgers saw Sematech as nothing more than a hand-out for those chip industry fat cats not up to fighting international competition.

Times change. Now Cypress Semiconductor says it's taking a $500,000 grant from the Minnesota's Department of Trade and Economic Development toward the cost of building what the company describes as "one of the most advanced semiconductor manufacturing facilities in the world". Then again, perhaps it's a virtual reality plant that doesn't actually exist.

Stamp it out

■ No wonder the Royal Bank of Scotland had such a ready translation for that disturbing business about retrocessing, reponing and restoring that Observer ran across in a Bank of Scotland letter. Why, the RBS itself is no slouch when it comes to obfuscation. Take its securities division, which instructs a customer to forward his dividend mandate form to his own bank, whereupon "they will verify the details by *adhibiting* their branch stamp ..." Naturally.

Gated

■ When Michael Heseltine unfolded his notion of the new "linear city" to the east of London in 1991, he picked the decidedly unpromising tag of East Thames Corridor for the project. So what can we expect from the rechristened Thames Gateway?

Environment minister David Curry was claiming credit for the new moniker when he launched an action plan for the area yesterday. East Thames Corridor had sounded a bit "Kafkaesque", he said, and, rather than spend years agonising over a new name or running competitions to choose one, he simply "sat down and made the decision".

Good to see a minister willing to make a tough call. But what a pity that the same spirit of determination does not extend to the corridor itself.

Yesterday's plan had no new proposals and no new money to offer. At this rate, Thames Gateway will be more of a linear village than a city.

Yours, unsigned

■ Another politician taking a tough line? John Redwood, the rightwing Welsh secretary, makes a practice of not signing letters written on his behalf in the Welsh language. It is apparently his policy not to sign letters unless he can "understand fully" what he is signing. Just as well his colleagues aren't all so scrupulous.

Sinned against

■ One can begin to understand why Democratic Unionist Ian Paisley has become a trifle jumpy recently when the International Herald Tribune styles Sinn Féin boss Gerry Adams as "the radical republican leader of Northern Ireland". In the European elections in June, Paisley polled 29 per cent and Sinn Féin 10 per cent of the vote in the province. But then who's counting anyway?

FINANCIAL TIMES
Thursday September 8 1994

French business chiefs 'suspect corruption rife'

Saint-Gobain chief is latest to come under investigation

By Alice Rawsthorn in Paris

Two out of three French company chairmen suspect that illegal practices are rife in many companies, according to a poll published in today's Le Monde newspaper.

More than half of businessmen believe France should launch an Italian-style crackdown on white collar crime, the poll finds.

Its publication follows Tuesday's news that Mr Jean-Louis Beffa, chairman of the Saint-Gobain glass group, has become the latest prominent French industrialist to be placed under judicial investigation.

Mr Beffa was questioned by a magistrate looking into claims that in 1988, Pont-à-Mousson, a pipe-making subsidiary of Saint-Gobain, paid FFr4.4m (£520,000) to a Nantes businessman to secure a water supply contract.

It is claimed the money was then given to an official of the Republican party, which is led by Mr Gérard Longuet, industry minister, and Mr François Léotard, defence minister. Mr Longuet, on French radio, praised Mr Beffa as "an extraordinary man" and that the party had "nothing to do" with the investigation.

The Beffa probe comes at a time when France's investigating magistrates are taking a tougher line on corporate fraud. Mr Pierre Blayau, who worked at Pont-à-Mousson in 1988 but now heads Pinault-Printemps, France's largest retail group, has been under investigation in the same case since May.

Mr Pierre Suard, chairman of the Alcatel-Alsthom electronics concern, faces accusations of using corporate money for work on his home. Mr Pierre Bergé, head of the Yves Saint-Laurent fashion house, was investigated for insider trading.

Earlier this summer, Mr Didier Pineau-Valencienne, chairman of the Schneider electric engineering group, was held in custody in Brussels while being questioned in a fraud probe. Mr Bernard Tapie, the controversial entrepreneur and Euro-MP, faces a battery of charges, and at least 100 less newsworthy businessmen are also believed to be under investigation.

Publicly, most French businessmen and politicians claim to favour a clean-up. The Le Monde poll backs a similar poll in the latest Enjeux Les Echos magazine, which found that 56 per cent of chairmen advocated a crackdown. Mr Patrick Devedjian, a Gaullist MP, yesterday called on French radio for the company heads under investigation to resign.

Yet there is growing concern about the ferocity of the recent probes and the adverse publicity they generate.

The news of the Beffa probe on Tuesday took a heavy toll on Saint-Gobain's shares and the entire Paris stock market. However, Saint-Gobain's shares yesterday rallied by 1.1 per cent to FFr645.

Mr Louis Giral, a candidate for the chair of the Patronat, the representative body of France's industrialists, yesterday called for a halt to "this massacre game". Justice must be done, he said. "But I wish that the judges were aware of the implications of hauling in the head of a company."

US says Japan trade talks stay far from breakthrough

By George Graham in Washington

The top US trade negotiator yesterday warned that the US and Japan are still a long way from any agreement in their framework trade negotiations, and that no breakthrough was likely in talks this week.

Mr Mickey Kantor, the US trade representative, said he did not expect that "any dramatic announcements or breakthroughs in the near term" would follow his meeting in Washington yesterday afternoon with Mr Ryutaro Hashimoto, Japan's trade minister, nor his talks today with Mr Yohei Kono, the Japanese foreign minister and deputy prime minister.

"I think this is a time for listening and exchanging ideas," Mr Kantor said.

This sober assessment of the chances of a quick agreement came as the clock ticked away towards a September 30 deadline, when the US must decide whether to impose sanctions on Japan in retaliation for what it sees as unfair trade practices.

Mr Kantor said no decisions had yet been made on sanctions.

"We are going to listen and listen carefully," he said.

But Japanese officials in Washington warned that they would not take US sanctions lying down, and might instead take the issue to a panel of the General Agreement on Tariffs and Trade.

None of the three sectors targeted by the US-Japanese framework agreement – government procurement, cars and car parts, and insurance – appears close to resolution, although Japanese officials are more hopeful than their US counterparts about an insurance deal.

In talks on government procurement, the two sides are still far apart over how to measure progress in expanding foreign bidders' access to the Japanese market.

This division is a reflection of the broader disagreement between the US and Japan over whether the use of numerical indicators to measure progress amounts to the setting of unacceptably inflexible targets.

Japanese officials complain that the US insists on an indicator tilted towards a substantial increase in market share in each monitoring period, while they want a neutral indicator of progress.

The car and car parts talks are even further from agreement.

Japanese officials point proudly to statistics showing a 47 per cent increase in imports of US automobiles in the first seven months of this year, even while the overall Japanese car market has shrunk.

But they balk at giving any kind of government assurance to back up the Japanese carmakers' voluntary commitment to increase their purchases of US-made auto parts.

The US is also seeking to add flat glass to the sectors under discussion in the framework talks.

See Lex

Home Shopping buys into Internet

Continued from Page 1

near term and a leg up on interactive TV for the longer term.

"There are many advantages for online users and operators – users can shop whenever they desire from home or office, while providers avoid the expense of producing and mailing catalogues and escape the overhead costs of store facilities."

The Internet Shopping Network is available 24 hours a day, seven days a week, from anywhere on the Internet. Users with Macintosh, Windows or Unix-based computers, fitted with a modem and communications software, can connect to ISN. To order goods from ISN users must first provide the service with delivery and billing information by telephone. This avoids sending sensitive data over the Internet which has been plagued with security problems.

Sharp smells success with new ovens

By Andrew Derrington in Loughborough

Sharp, the Japanese electronics group, is to install an electronic nose into microwave ovens manufactured at its plant in Wrexham in north Wales.

Smell sensors in the ovens will feed information into a neural network programmed to recognise the characteristics of different foods when they are cooked.

Neural networks are sophisticated computers, inspired by models of the human brain, that can be taught to recognise complex patterns.

Sharp is refusing to discuss its new product before its official announcement on Monday, but journalists who have got a smell of the story expect to be told that it will mean the end of the overcooked and dried up food that inexperienced cooks find all to easy to produce with current microwaves.

The advantage of using a neural network is that cooking is a complex process and it is difficult to decide when it is complete. For example thick steaks need to be cooked for longer than thin steaks.

Several different types of information – on temperature, colour and smell – are needed to know that cooking is done and – of course – different cooks have different views on what constitutes rare, medium or well-done.

The neural network will be programmed in the factory, so the microwave will arrive in the home already knowing how Sharp thinks food should be cooked.

It is not known whether it will be adjustable for vegetables al dente.

Sharp's Wrexham plant, which was opened in 1975, manufactures microwaves, VCRs, typewriters, and word processors. It employs 1,300 people, and production in the last financial period was valued at £120m ($186m) according to Mr Mike Williams, director of personnel and general affairs.

Sharp had been planning to release news of the new microwave at a press conference in Wrexham on Monday, with the company's president, Mr Haruo Tsuji, flying in from Japan to make the announcement, and a government minister scheduled to attend.

But information about the new product leaked out at the British Association festival of science in Loughborough yesterday, at a meeting to discuss applications of neural networks.

Asked about the release, Ms Caroline Barratt, head of public relations for Sharp UK said: "As far as Sharp is concerned we have a press conference on Monday."

CFC black market revealed, Page 6

THE LEX COLUMN

RTZ rides the cycle

RTZ is not just a reflection of the commodity price cycle. What it controls it controls well. In most sectors, the group remains the lowest-cost producer. Operating margins at the bottom of the cycle were a creditable 13 per cent. These have now reached 23 per cent, an increase admittedly helped by the disposal of Pillar's ragbag of low-margin businesses. More cost-cutting is promised. As for volume growth, RTZ continues to invest in new projects. Capital investment nearly doubled in the first half, and exploration spending on long-term projects is up two-thirds.

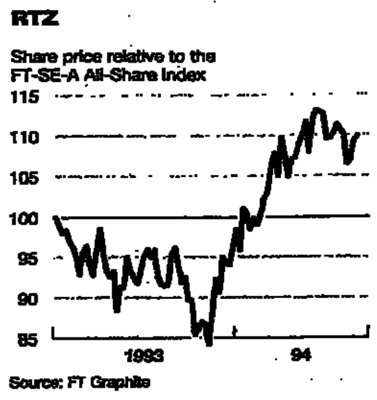
But RTZ cannot control prices. Recent rises augur well. Since June non-ferrous metal prices have advanced 16 per cent, those of copper by 23 per cent and aluminium by 18.6 per cent. Such increases have contributed heavily to the shares' advance.

Less clear is whether these higher prices are sustainable. Habitually cautious RTZ managers are unusually upbeat about economic prospects. The leading economies appear to be lining up in the same direction, offering the prospect of synchronous economic growth. The danger is that the commodity market, pushed partly by speculators' hot money, has over-anticipated the recovery. As in the plastics and paper industries, where prices have also moved forward sharply, much of the increased demand has come from restocking. If stocks fail to fall this autumn, metals prices could suffer a correction. That would knock inflationary pressures on the head. But it would also shake stocks such as RTZ which have risen on expected further price rises.

FT-SE Index: 3203.9 (-1.5)

RTZ

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Japanese equities

It may be wrong to pin the blame for yesterday's fall in the Tokyo market on the 5 per cent fall in Japan Telecom's share price. But the issue's high-profile flop has certainly put the Japanese system for pricing equity offerings under the spotlight. Japan Telecom was designed to appeal to foreigners. There is a danger that it will instead reinforce investor suspicions that buying new Japanese equity is a quick way to lose money.

Japan's system for pricing issues was introduced following the Recruit share scandal of the late 1980s. Then the problem was that new issues typically shot to handsome premiums and so companies could reward their friends by allocating them shares. But in combating corruption, the current system has brought its own problems.

The main difference between the Japanese system and the "book-building" process used in most international equity issues is that the price is set through an auction near the start of the offering period rather than near the end. The delay between pricing an issue and trading means the share price is a hostage to wider market movements. Investors also have less time to analyse a stock before placing their bids.

Japan Telecom is due to be followed by several other large issues. Japan Tobacco is next in line and two railway companies, JR West and JR Central, are expected next year. It is too late to alter the system for the Tobacco sale. But if future flotations are to attract foreign investors, Tokyo will need to bring its issuing practices closer into line with international standards.

Electronic shopping

It will be long before many Americans turn on their personal computers instead of motoring down to the mall for their shopping. But Home Shopping Network's acquisition of the Internet Shopping Network brings that day somewhat closer. Until now, most companies retailing goods over the Internet – including ISN itself – have been small start-up ventures. HSN, which owns the largest US cable TV shopping channel, has the financial fire-power to develop computer shopping. It also brings established relationships with a multitude of manufacturers and retailers.

In the longer term, TV and computer shopping should merge. With the advent of cable modems, ordinary TV sets will become interactive. People will no longer sit passively as goods are paraded in front of them and then place orders over the telephone. Instead, they will be able to search for items and buy them with the press of a button. Similarly, computer shopping – mainly scrolling through text listings – will increasingly be enlivened by moving pictures. HSN may have gained something of a head start by acquiring ISN, but the field promises to be crowded. Computer groups such as Microsoft, telecommunications operators and rival cable shopping channels such as QVC are all eyeing the opportunities.

Hillsdown Holdings

On the surface the market's attitude to Hillsdown Holdings seems a bit churlish. Despite the improvements wrought by the new management – assets generating some £1bn of turnover have been sold in the last couple of years with virtually no loss in profit – Hillsdown's shares still carry a yield of more than 6 per cent. That looks high for a company which claims to have turned the corner, is now generating cash and is talking about acquisitions and higher dividends. But Hillsdown must pay the price for its failure to cut its dividend in the recession. Even now its payment is less than twice covered.

Memories of the bad times will be slow to fade. After all, profits fell by more than half between 1989 and 1992. The market, too, needs more evidence of Hillsdown's ability to grow. Since there is not much sign of food price inflation in the shops, margin improvement will require tough control on costs and a judicious juggling of product mix. Recognising the need for acquisitions is one thing. Finding suitable ones is another. Hillsdown implicitly admits as much by clinging to its housebuilding assets on the grounds that it could not easily replace them with a more lucrative investment in food.

Nor has the market failed to recognise the improved outlook. Hillsdown trades on a higher multiple than both Unigate and Northern Foods and has outperformed the sector by 30 per cent since the start of last year. That looks like enough for the moment. The muted reaction to yesterday's promise of resumed dividend growth suggests the proof of the pudding will be the rate of earnings expansion rather than higher pay-outs.

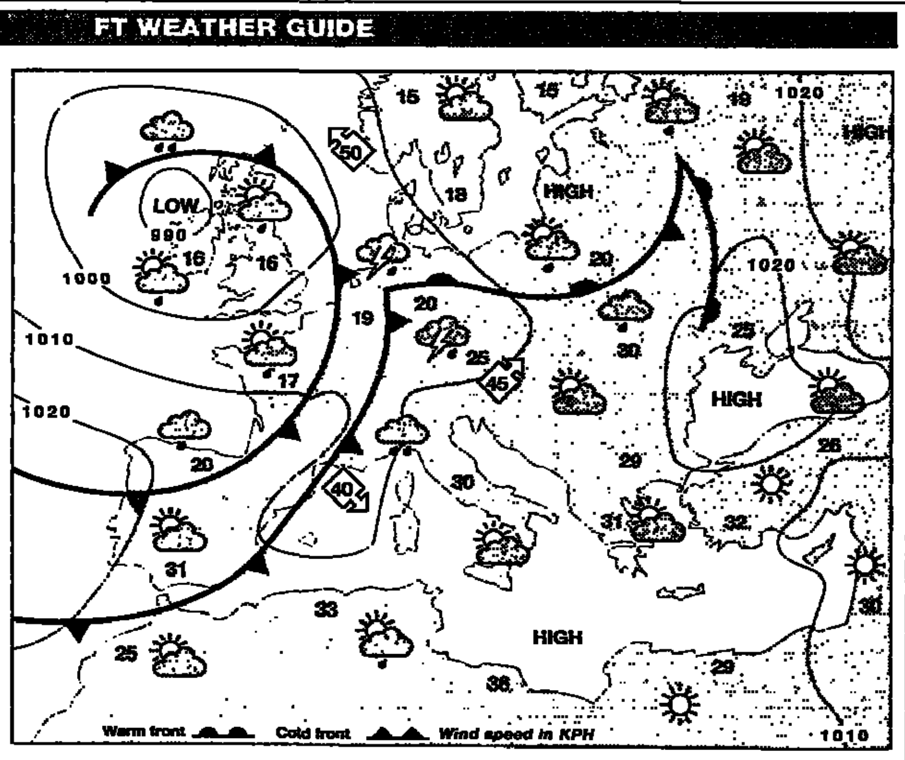
FT WEATHER GUIDE

Europe today

Autumnal weather dominates western Europe, caused by a large depression over northern Ireland. A frontal zone associated with a low over the north-west UK will cause abundant rain over large areas of France. The front will cause showers to linger over northern Spain. The Alps can expect frequent thunder storms, while thunder showers will develop in Germany and the Benelux. The Mediterranean will be partly cloudy in the west but mainly sunny in the east. Poland, south Scandinavia, Finland and north-west Russia will have showers. A mixture of cloud and sun will cover most of Iceland, north Scandinavia and central Russia.

Five-day forecast

It will be unsettled from north-west Europe into Scandinavia. The UK, the Benelux and the Alps will have more showers. Sun will return to parts of the Mediterranean. South-east Europe will be warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	29
Algiers	sun	32
Amsterdam	shower	19
Athens	sun	32
Atlanta	sun	29
B. Aires	fair	10
B.ham	shower	16
Bangkok	cloudy	33
Barcelona	fair	28
Beijing	thund	27
Belfast	shower	15
Belgrade	fair	32
Berlin	cloudy	20
Bermuda	fair	30
Bogota	fair	19
Bombay	cloudy	28
Brussels	shower	16
Budapest	fair	29
C.hagen	rain	17
Cairo	sun	33
Cape Town	sun	17
Caracas	fair	33
Cardiff	shower	15
Casablanca	fair	25
Chicago	sun	26
Cologne	rain	17
Dakar	fair	30
Dallas	fair	32
Delhi	fair	27
Dubai	sun	41
Dublin	shower	15
Dubrovnik	sun	29
Edinburgh	rain	16
Faro	sun	28
Frankfurt	rain	17
Geneva	rain	19
Gibraltar	fair	30
Glasgow	rain	14
Hamburg	shower	20
Helsinki	shower	14
Hong Kong	rain	31
Honolulu	fair	32
Istanbul	sun	28
Jakarta	fair	31
Jersey	shower	15
Karachi	fair	34
Kuwait	sun	43
L. Angeles	sun	28
Las Palmas	sun	28
Lima	cloudy	19
Lisbon	fair	23
London	shower	18
Lux.bourg	rain	16
Lyon	rain	18
Madeira	fair	27
Madrid	fair	24
Majorca	sun	30
Malta	fair	30
Manchester	shower	15
Manila	cloudy	31
Melbourne	cloudy	15
Mexico City	cloudy	19
Miami	fair	32
Milan	shower	23
Montreal	shower	22
Moscow	shower	18
Munich	fair	22
Nairobi	cloudy	22
Naples	fair	29
Nassau	shower	32
New York	fair	26
Nice	shower	25
Nicosia	sun	35
Oslo	cloudy	16
Paris	rain	16
Perth	sun	26
Prague	rain	22
Rangoon	rain	29
Reykjavik	shower	12
Rio	thund	25
Rome	fair	29
S. Frsco	fair	20
Seoul	fair	29
Singapore	shower	32
Stockholm	fair	18
Strasbourg	rain	18
Sydney	sun	22
Tangier	sun	28
Tel Aviv	sun	32
Tokyo	fair	31
Toronto	fair	22
Vancouver	rain	19
Venice	fair	26
Vienna	fair	24
Warsaw	cloudy	22
Washington	sun	28
Wellington	shower	10
Winnipeg	cloudy	25
Zurich	rain	17

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Promodès advances 15%

The recovery in French retailing was highlighted by the 15 per cent rise in first-half net profits at Promodès, one of the country's leading distribution groups. Page 14

Grolsch predicts strong advance
Grolsch, the Dutch beer brewer, reported a near 20 per cent rise in first-half net profit and predicted that full-year results would increase at roughly the same rate. Page 14

Japan's steelmakers revise forecasts
Japan's five main steelmakers have revised their first-half forecasts to indicate that the steel sector will report greater losses than last year. Page 15

New titles drag down ConsPress
Mr Kerry Packer's Australian Consolidated Press, the magazine publishing group, reported an 8.9 per cent fall in profits after tax and abnormal items to A$55m (US$41m) in the year to end-June, because of "losses incurred on the development of new titles". Page 17

Mitsui calls off merger
The Mitsui Group, the oldest of Japan's *keiretsu* – corporate families – has called off a proposed merger with Toyama Chemical, designed to expand its pharmaceuticals interests. Page 17

US financier awaits Acts of God bonds
US hurricane futures, European flood options and even "Acts of God bonds" will be traded within the next few years, predicts Mr Richard Sandor, a US financier and a founding father of the financial derivatives industry. Page 17

Food group meets shareholder demands
Goodman Fielder, the Australian food group, has bowed to the demands of dissident shareholders, and agreed to appoint three of their nominees to its board – thus avoiding a proxy battle next month. Page 18

NFC spells out its strategy
NFC, the UK's largest transport and logistics group, insisted that it was committed to its strategy of focusing on higher value added business, such as logistics and moving services, despite the sudden resignation last month of its chief executive, Mr Peter Sherlock, after only 18 months in the job. Page 19

Amec rises despite loss on sale
Pre-tax profits of Amec, the international engineering and construction group, increased slightly from £9.1m to £9.3m ($14.4m) in the first six months of 1994 in spite of a £3.2m loss on a property sale. Page 19

Wellcome gives Glaxo a headache
Wellcome, the UK drugs group, has thrown down a challenge to its rival, Glaxo, by reporting successful tests of a new anti-migraine drug. Page 22

British Gas rethinks Kazakhstan project
British Gas is reconsidering its planned multi-billion dollar investment in Kazakhstan; according to industry officials. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	1230	+	20
Hochtief	1023	+	21
Falls			
DLW	451	–	9
Douglas Hldg	530	–	8
Industrie Werke	360	–	14
Porsche	812	–	13
NEW YORK ($)			
Rises			
Circuit City St	26¼	+	2
Humana	21⅞	+	1⅛
Lotus Dev	44½	+	2⅜
Micron Tech	41¾	+	1⅞
Microsoft	57¼	+	1⅛
Falls			
Jones Apparel	22¾	–	2⅛
PARIS (FFr)			
Rises			
Cred Lyon (CI)	469	+	13
Gaumont (Soc N)	325	+	15
Intertechnique	637	+	17
Falls			
Fonc Lyonnaise	680	–	19
SILIC	710	–	55
Union Immob Fr	465	–	15
TOKYO (Yen)			
Rises			
Sony Chem	1280	+	70
Falls			
Seiyu Oxex	805	–	45
Sawafuji Elec	550	–	51
Tomoegawa Paper	512	–	68
Tsukiji Uoichiba	521	–	40
Nissan Motor	738	–	23

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Amgen	65	+	13
BBA Group	198	+	9
Dickie Heal	46	+	6
Drew Scientific	38	+	7
French Connectn	374	+	24
Hewtal Whiting	205	+	11
Home Counties	162	+	9
Ladbroke	169	+	5
ML Hldgs	47	+	3
Midlands Elect	819	+	20
Nardin Peacock	183	+	6
Portals	675	+	20
RTZ	885	+	13
Radius	45	+	4
Russell (A)	103	+	11
S & U	369	+	15
Spandex	273	+	18
Falls			
Avonmore Foods	125	–	5
Hogg Robinson	245	–	13
Inchcape	449	–	10
Wilson (Connolly)	213	–	15

Successor named amid rumours of radical restructuring by troubled computer group

IBM's European head resigns

By Andrew Adonis in London

The European head of International Business Machines has resigned after less than a year in the post, prompting speculation of radical restructuring in the European operations of the troubled computer manufacturer.

IBM said Mr Hans-Olaf Henkel was resigning as chairman and chief executive of IBM Europe to return to Germany, where "a significant career opportunity" had opened for him. Mr Henkel was president of IBM Germany until last year.

He is being replaced by Mr Lucio Stanca, currently general manager of IBM's operations in southern Europe, the Middle East and Africa, based in Rome. Mr Stanca will be IBM Europe's third head in just over three years.

IBM stressed that Mr Henkel's decision was "entirely personal with no strategic implications", but it made no attempt to disguise the suddenness of the move.

Mr Henkel will hand over his responsibilities as chief executive with immediate effect, and will remain chairman of the IBM Europe board – a post he assumed only in January – until the next board meeting in early December. Mr Henkel expressed confidence two months ago in the future of IBM Europe and gave no hint that he was contemplating a move.

His resignation comes amid indications that IBM is re-evaluating its European operations, aiming to give a greater international focus to its marketing.

IBM's Italian operations have received strong ratings from analysts, with Mr Stanca – a respected Italian public figure – seen as anxious to safeguard its autonomy. However, the parent company said yesterday that his appointment would not herald immediate changes, and denied that any wider re-evaluation was in progress.

The recession and radical reshaping of the computer market continue to have a traumatic impact on IBM, notably in Europe. The company has shed nearly 30,000 jobs across Europe since its peak in the late 1980s, reducing its workforce from 112,000 to 85,000, with another 10,000 posts are to be lost this year. The worldwide workforce will be cut by a further 20,000 this year to 215,000 and more job cuts appear likely in 1995.

The cost cutting appears to have stabilised IBM's position. Its second-quarter earnings, announced in late July, showed higher than expected earnings on the back of sharp reductions in expenses.

IBM said demand for mainframe computers was strong but it still faced "serious problems" in its personal computer operations.

IBM's second-quarter earnings of $689m, equal to $1.14 per share, were well above analysts' estimates of 45-80 cents per share. For the same period in 1993 IBM had reported a loss of $40m, or 8 cents per share, before heavy restructuring charges bringing net losses to $8bn.

In terms of sales, however, Europe was static for the second quarter at $5.5bn, with increases for the group reliant on growth in the Asia-Pacific region which picked up 14 per cent to $2.8bn.

Total shrugs off weak prices and margins

By David Buchan in Paris

Total, the French oil and chemicals group, yesterday reported virtually unchanged first-half net profits of FFr1.98bn ($356m), in spite of weak crude prices and refining margins, compared with FFr1.93bn a year ago.

Mr Serge Tchuruk, chairman, said given the volatility of petroleum and currency markets he could could not forecast how 1994 results might compare with last year's FFr3.1bn profit.

He claimed increasing financial strength, however, for the group which improved its cash flow in the first half by 4 per cent to FFr6.1bn.

Net investment was cut by FFr1bn to FFr4.6bn and net debt-to-equity gearing ratio reduced to 20 per cent from 23 per cent at end-December.

Turnover rose slightly to FFr68.7bn in the half year because increased sales volume was offset by lower prices. The main sectoral improvement was chemicals, where operating profits rose 16 per cent on the back of more demand from the European car and packaging industries.

Mr Tchuruk said Total had showed a better return on capital over the past four years than rival oil groups, and was replacing oil reserves at a higher rate and at a lower cost than others.

Total's goal is to produce 1m barrels a day by the end of the century, or more than it will be refining, as a correction to its previous over-dependence on downstream activities.

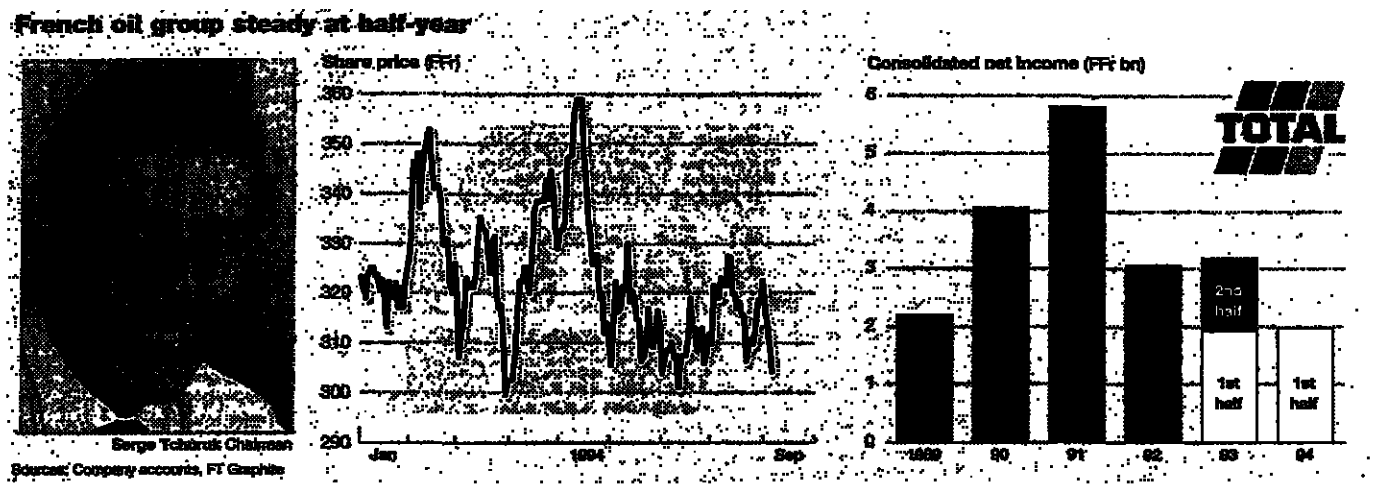
Its main prospecting areas for oil are the Middle East, where Mr Tchuruk confirmed that Total "like every other company" was talking to Iraq but would do nothing until United Nations sanctions were lifted.

Mr Tchuruk said although Elf-Aquitaine had been privatised, there had been "relatively little restructuring" in the European oil industry, partly because much of it was in state hands.

"There are too many actors and a great many needs for restructuring in the European market", which he forecast would remain difficult.

The Total chairman said that "we are open to opportunities" for acquisitions and accords.

French oil group steady at half-year



Sources: Company accounts, FT Graphite

RTZ lifts interim profits by 26% to £427m

By Kenneth Gooding, Mining Correspondent, in London

RTZ, the world's biggest mining company, yesterday pleased the London stock market by reporting interim profits at the top end of analysts' expectations and announcing that it was to be the latest big UK company to pay a foreign income dividend (Fid). Fids allow significant advance corporation tax (ACT) savings for companies that generate nearly all their income outside the UK. In the first half, only 1 per cent of RTZ's net earnings arose in Europe, including the UK.

Mr Bob Wilson, chief executive, said a combination of lower tax, higher volumes, improved metals prices and reduced costs helped to lift pre-tax profits by 26 per cent from £339m to £427m ($662m) in the six months to June 30.

Volume increases boosted net earnings by £25m compared with the first half of 1993, mainly from new or recent investments such as the Flambeau copper and gold mine and the Powder River Basin coal operations, both in the US, and the first two expansions of the Escondida copper mine in Chile.

Higher prices contributed an extra £16m. Cost savings totalled £17m.

Mr Wilson said the underlying world economic outlook was brighter than it had been since the 1980s. The US economy was firm, Europe was recovering and Japan at least had hit bottom. Other Asian markets remained promising, although there were some doubts about China.

First-half turnover rose by 10 per cent from £1.69bn to £1.86bn. Earnings per share were up 6 per cent from 24.9p to 26.3p. Excluding exceptional items, they rose by 30 per cent from 17.5p to 22.7p.

Operating cash flow remained strong at £336m. Net debt fell to £196m from £384m at the end of December, and represented only 5 per cent of total capital.

The tax charge fell from 39.5 per cent to 31.9 per cent, mainly because there was no provision for write-off of surplus ACT. Mr Chris Bull, finance director, said it would be prudent in future to assume the charge would be about 33⅓ per cent.

The Fid per share is 9p. The 1993 interim dividend was 13.5p, but RTZ said this was not comparable because of the way it structured last year's dividends.

RTZ shares closed 13p higher at 885p.

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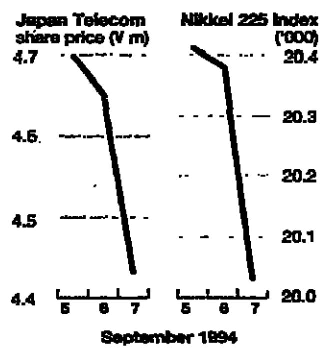
How Fids work, Page 19



'Telecom shock' hits Japanese market

By Emiko Terazono in Tokyo

"Telecom shock" has hit the Tokyo stock market.

Shares in Japan Telecom, the country's third largest telecommunications company, have fallen by 5.7 per cent from their issue price of Y4.7m (£30,730) since trading began on Tuesday.

Yesterday alone, Japan Telecom shares lost Y220,000, or 4.7 per cent, to close at Y4.43m. The decline washed into the wider market, pushing the Nikkei 225 index down by 370.18, or 1.8 per cent, to 20,023.80.

Japanese stockbrokers have been caught out. "We thought Telecom would bring investors back to the market," said Mr Yasuo Ueki, general manager at Nikko Securities.

Brokers had hoped that the Japan Telecom listing would revive the market.

"Telecom shock" has raised worries over next month's Y900bn (£5.9bn) flotation of Japan Tobacco, the semi-privatised tobacco and salt company.

Although public pension and insurance funds moved to stem the Nikkei's fall yesterday, recent declines have confirmed weak underlying sentiment.

The Nikkei rose 24 per cent during the first six months of 1994 on buying from the US and Europe, but a widening belief that corporate earnings would improve only gradually weighed on share prices in recent months.

Investors fear a repeat of last year's decline triggered by the flotation of East Japan Railway which dropped Y1,000bn worth of shares on the market. The Tokyo stock exchange's computer system almost collapsed due to a surge of sell orders, prompting the Nikkei to lose more than 20 per cent in a month.

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World stock markets, Back Page

Alison Smith doubts the benefit of diversification

Bancassurance's golden egg loses its shine in UK

When one of the UK's larger and steadier retail financial organisations – *Halifax Building Society*, the biggest mortgage lender – plans to set up its own life insurance subsidiary, it may seem heretical to question the benefits of bancassurance.

Yet half-year results for organisations which have set up subsidiaries suggest limitations on the strategy – which involves selling financial services products through bank and building society branch networks.

The most spectacular drop was at Black Horse Financial Services, the Lloyds Abbey Life arm which sells only to customers of Lloyds Bank, which reported a 40 per cent drop in sales for the first half of the year. Other bancassurers also reported flat or worse results.

The rise of branch networks as a means of distribution is not unique to the UK. Sales of life insurance products through banks have been growing rapidly from the late 1980s in France, Germany and other European countries.

The underlying logic behind bancassurance remains: it offers a low-cost, high-productivity method of distribution. A wholly-owned subsidiary gives the bancassurer control over the product and gives it all the profit from sales.

But UK bancassurers are especially affected by pressures such as the increasing costs of meeting regulators' training and compliance procedures.

"The typical Barclays customer will have a relationship with a number of other providers who are in bancassurance as well," says Mr Ken Bignall, chairman of Barclays Life. The specific limits within which bancassurance works helps to keep costs down, but also mean checks on their growth.

At Woolwich Life, the jointly-owned subsidiary of Woolwich Building Society and Sun Alliance Insurance, the range of products is deliberately mortgage-related.

Mr Michael Turner, chief executive, says this enables them to focus training and systems on these products. However, it provides less prospect of developing income streams which are particularly beneficial when the housing market is depressed. "The mortgage market has been pretty flat, and business has been mirroring that," he says.

Bancassurers restrict themselves to the bank's customer bases. This may not seem much restriction when, as in the case of Barclays and TSB Group this can total 7m, but only TSB believes it can aim to provide financial services to more than half its customers. Most other bancassurers expect about a 30 per cent penetration of the retail customer base.

Mr Stephen Maran, chief executive of Lloyds Abbey Life, says that while there is a finite customer base, customers who have bought life insurance once are likely to do so again. He adds, however, that the customer base will mature over time. "Then you have to find other affinity groups, and do the same."

A further restriction lies in customers' tendency to think of financial institutions in separate categories, even when they offer similar ranges of services.

A poll for the National Consumer Council in July showed that for cheque accounts Britons were most likely to go to a bank, but for life insurance most likely to go to a life company.

Mr Lawrence Churchill, chief executive of NatWest Life, says that only about 30 per cent of National Westminster customers realise they can go to the bank for a pension plan. "We have to build awareness that NatWest is not just where you go for cash."

Would-be bancassurers also have to cope with the fall in customers visiting bank branches. A recent survey by Mori for ICL, the computer company, suggested that only about two-thirds of British bank customers enter their branch regularly. Some bankers say even that figure seems too high.

Banks will have to develop other strategies for contacting customers, such as direct mail, where the impact of the brand and the existing relationship may be diluted.

"We have to use a different communication channel to speak to these customers," says Mr Peter Ellwood, TSB group chief executive. "We now get quite a lot of our contacts from writing to customers. We can also speak to customers over the phone."

The passing of information about customers from the bank to a life insurance subsidiary, is also being restricted under pressure from consumer groups.

Whether conventional life companies or bancassurers, the financial services industry is under pressure. As the number of bancassurers increases, so their total market share is likely to increase as well, but perhaps not at the overall volumes of business or at the profitability that might once have been envisaged.

As Mr Bignall says: "I think the advantage of bancassurers has been significantly exaggerated".

Halifax up 18%, Page 14

Promodès 15% advance confirms retail recovery

By Alice Rawsthorn in Paris

The recovery in French retailing was highlighted yesterday when Promodès, one of the country's leading distribution groups, said net profits rose 15 per cent in the first half of 1994.

Promodès, which has large interests in Spain as well as in France, saw net profits rise to FFr264m ($47.1m) in the first half of the year from FFr229m during the same period of 1993.

The group achieved a 3 per cent increase in sales to FFr44.2bn from FFr42.8bn between the two first halves.

The French retail sector is emerging from a difficult period in which consumer spending was depressed by the recession.

However, the economic climate is improving, consumer confidence is slowly starting to rise and the pressure on the retailers is easing.

Promodès said its first-half performance would have been better without the devaluation of the Spanish peseta.

It estimated that, on a constant exchange rate basis, its sales would have risen by 5.9 per cent during the first six months of the year.

Promodès operating profits rose 11 per cent in the interim period to FFr814m from FFr733m.

The company said that it had benefited from improved financial controls and a reduction in exceptional items.

● M6, the French television station, yesterday confirmed that it plans to go public with a stock market flotation on September 28.

The company, now the third force in French television with annualised sales of FFr1.5bn, also intends to launch a new themed TV channel, according to Mr Jean Durkcer, chairman.

Halifax climbs 18% halfway

By Alison Smith in London

Halifax Building Society, the UK's largest mortgage lender, yesterday reported an increase of 18 per cent in pre-tax profits for the six months to the end of July, taking the total to £486m ($314m).

The percentage increase was less marked than that reported by some other mortgage lenders, but as has been true across the sector, it was due primarily to a fall in provisions for bad and doubtful debts, to £56m from £156m.

Mr Jon Foulds, chairman, said that Halifax had produced strong results against a difficult background of a very weak housing market.

There was a small increase in net interest receivable, to £783m from £738m. This reflected a narrower margin – 2.29 per cent compared with 2.31 per cent – on a higher volume of business.

Administrative expenses rose to £385m from £357m, an increase of 8 per cent, while other income and charges fell back slightly to £176m from £183m.

Mr David Gilchrist, corporate development manager, said that there had perhaps been a slight fall in the sale of endowment mortgages which had affected commission earnings.

Much of the increase in expenses came from the rising cost of meeting financial services regulators' requirements, he said.

In January, Halifax will take on all the compliance costs when it sets up a wholly-owned life insurance subsidiary, ending its current arrangement by which it sells financial services policies produced by Standard Life.

Mr Gilchrist said that if the mortgage market remained flat, then the savings side of the society's business could become increasingly important and an area of growth.

In the six months to end-July, Halifax's retail balances fell slightly by £151m, even when interest automatically credited to customers' accounts is included. However, Mr Gilchrist made it clear the society was determined to maintain its retail savings base.

As a result of the slight outflow while the society was competing aggressively for mortgage business, the proportion of funds raised on the wholesale money markets rose to 21.1 per cent – well within regulatory limits.

Grolsch gains 20% to Fl 17m at midway

By Ronald van de Krol in Amsterdam

Grolsch, the Dutch brewer, posted a rise of nearly 20 per cent in first-half net profit and said full-year results would increase at roughly the same rate.

Net profit rose to Fl 17.0m ($9.7m) from Fl 14.2m in the first half of 1993, with profit per share up 18.3 per cent at Fl 1.10. Turnover was 33 per cent lower at Fl 391.8m. Grolsch said the figures were not directly comparable because the company sold Wicküler, its German beer group, to Brau und Brunnen of Germany in January.

Operating profit rose by 17.3 per cent to Fl 28.8m, while interest charges fell to Fl 0.4m from Fl 3.3m.

Sales in the Netherlands, Grolsch's largest market, fell slightly because of poor spring weather. But it said this was more than offset by lower raw material prices and lower operating and packaging costs.

In the UK, where Grolsch owns the Ruddles brewery, a new marketing campaign led to higher sales of Ruddles beer, particularly in the second quarter.

Grolsch said its personnel costs fell in the first half, reflecting a reorganisation at Ruddles, rationalisation in the Netherlands and the elimination of the group's UK sales office.

This year, Grolsch entered into a UK distribution joint venture with Bass, the largest brewer in the UK.

Italian banks face tight timetable

San Paolo and BNC seem to be moving towards deal, says Andrew Hill

It should have been a simple marriage of convenience: undercapitalised bank meets wealthy suitor, they merge and live happily ever after.

That was the draft script for a deal signed in March by Italy's Banca Nazionale delle Communicazioni, a small bank with just over 60 branches, controlled by the Ferrovie dello Stato (FS), the state railway, and Istituto Bancario San Paolo di Torino, the country's biggest bank with nearly 1,000 outlets nationwide.

The preliminary accord gave little away, but at the time it was said that the two banks would swap shares, leaving BNC with a 6 per cent or 7 per cent stake in San Paolo. It looked like the end of a long search by BNC for a strategic partner which could end losses, and restructure management.

The companies wanted to formalise their union quickly to take advantage of fiscal incentives for banking takeovers which were introduced in 1990 but are only available up to the end of this year.

Six months later, San Paolo is still the only bank to have declared a formal interest in BNC. But in the meantime, a modest merger has been turned into a highly charged political issue, the catalyst for rumours about phantom counter-bids, tension within the new Italian government, and a series of attacks on the Italian central bank.

Mr Publio Fiori, Italy's transport minister since May, has deliberately put himself at the centre of the controversy.

It was Mr Fiori who, at the end of June, sought clarification from the FS about the terms of the merger with San Paolo and then began single-handedly to campaign for a better deal.

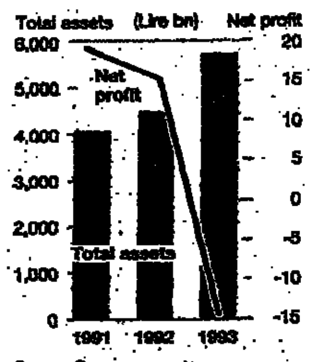
Apart from the bank's foundation, which holds about 44 per cent of the shares, and the FS which controls just over 50 per cent, about 7 per cent of BNC belongs to 80,000 small shareholders, mainly railway workers.

Mr Fiori has argued that the strategic importance of the bank is such that it should not be abandoned for a handful of San Paolo paper in a deal hastily struck by an outgoing government.

With about L50,000bn ($31.2bn) of railway investment to be carried out over the next few years, the transport minister says the FS needs to be able to count on dedicated financing.

Since August, with most of the rest of the government on holiday, Mr Fiori has increased the intensity of his campaign, lambasting the Bank of Italy – which must approve banking mergers – for allegedly trying to force BNC into the arms of San Paolo without considering possible counter-bids.

Banca Nazionale Delle Communicazioni



Source: Company reports

Fellow members of the right-wing National Alliance attacked the Bank of Italy, accusing Mr Antonio Fazio, the governor, of abusing his position, and asking the Rome prosecutor to open a file on the case. However, the promised counter-bids have failed to materialise.

Cassa di Risparmio in Bologna, a small retail bank, did make a tentative and informal cash offer, which was dismissed by the Bank of Italy as inferior to the San Paolo bid.

Indeed, until this week, it seemed as though Mr Fiori's intervention had achieved little except many column inches of publicity for the minister and deep irritation at the central bank and the Treasury.

In the meantime, the timetable for doing a deal has grown tighter and tighter.

Analysts suggest that if a merger cannot be agreed by the end of this month there will not be enough time to complete the formalities by the end of the year, and take advantage of the promised tax-breaks.

However, in the last few days the fog surrounding the BNC case has begun to lift.

On Tuesday evening, Mr Fiori indicated his confidence that Mr Lamberto Dini, the Treasury minister, would decide the outcome of the affair.

San Paolo has now amended its own bid, sources say. The cash which Mr Fiori wants for BNC is unlikely to be forthcoming, but the Turin-based bank has proposed a more complex share-swap which would strengthen links between BNC and Crediop, a San Paolo subsidiary specialising in the financing of public investment projects.

Although the new deal is said to be worth more than the original all-paper offer, it may not satisfy Mr Fiori.

Last night, Italian news agencies reported that the transport ministry had received a new alternative offer for BNC.

The BNC affair may not yet have reached the end of the line.

Canadian provinces face downgrade

By Robert Gibbens in Montreal

Canadian provinces face further downgrades to their credit ratings, according to Dominion Bond Rating Service (DBRS), one of Canada's two bond rating agencies.

Accumulated government deficits are so large that normal improvements stemming from economic recovery are likely to prove ineffective, the rating service says in a report sent to provincial officials.

Last month the Toronto Dominion Bank predicted that Canadian federal and provincial deficits would reach a worst ever C$780bn (US$570bn) by next March.

DBRS said corporate and personal taxes are so high that it would be difficult to get more revenue from traditional sources, both at the federal and provincial levels.

While some provinces have checked rising health costs, British Columbia and Quebec are said by DBRS to be understating their fiscal 1995 deficit by C$1bn each. However, Ontario's budget deficits are the highest.

The federal government's interest bill has doubled since 1985 and the average maturity of its debt has dropped to 4.3 years. This makes it more vulnerable to higher interest rates, DBRS warns.

Air Canada 'to double income'

Air Canada will double operating income to between C$140m (US$102m) and C$150m this year and report a small final net profit, said Mr Hollis Harris, chairman, writes Robert Gibbens in Montreal.

Continental Airlines of the US, which is 20 per cent-owned by Air Canada, will lose about US$100m but return to profitability in 1995, he said.

Goodman Fielder bows to rebel investors to head off proxy battle

By Nikki Tait in Sydney

Goodman Fielder, the troubled Australian food group, yesterday bowed to the demands of dissident shareholders and agreed to appoint three of their nominees to its board, so avoiding a proxy battle next month.

Goodman said Mr Jon Peterson, a former chairman of Unilever Australasia, Mr Neil Lister, a director of Melbourne-based Agrifoods, and Mr Ken Neilsen, formerly an executive with Mars Australia, had been invited to join the board at its October 6 meeting. Mr Terry Arcus, a former McKinsey director, and Mr John Landerer, a solicitor, two non-executive directors of Goodman, will stand down at the same time.

Mr Peterson will become deputy chairman. In addition, the group's current chairman, Mr John Studdy, said the board would search for a new independent chairman. He will retire when a successor has been found.

As a result of the deal, the extraordinary meeting, requisitioned by the unhappy investors, will now be cancelled. Shareholders will get their chance to approve the new board appointments at the AGM in November.

Yesterday's agreement follows a push for board changes by Mr Doug Shears, a Melbourne-based businessman whose Agrifoods group has a small shareholding in Goodman, and three large institutional shareholders – the Australian Mutual Provident, Bankers Trust Australia, and State Superannuation Investment and Management Corporation. They have been distressed by Goodman's static profits and sagging share price.

Wing On to sell life unit to Axa

Wing On International Holdings, the department store operator, is to sell its life insurance operation to Axa of France, AP-DJ reports from Hong Kong.

It said it would sell the entire share capital in Wing On Life Assurance to the Paris-listed insurer for HK$858m ($111m). Wing On Life's principal business is the writing of life and other insurance policies in Hong Kong, Malaysia and Singapore. Wing On said it would cease its life business on completion of the deal.

Earlier this week, Axa acquired Victoire Belgium, the Belgium insurance group, for FFr1bn ($178m).

INTERNATIONAL COMPANIES AND FINANCE

Riding out a hazardous recovery

Growth in Brazil is shaking up Autolatina, writes Patrick McCurry

Autolatina, holding company for the joint operations of Volkswagen and Ford in Brazil, should, on the face of it, be humming along. Last year Brazil became the world's fastest growing big market for cars, due to a combination of factors including tax cuts and a return to economic growth.

However, Autolatina and its rivals can see hazards looming. The market's growth, combined with falling tariffs, is forcing domestic manufacturers to compete against a rising tide of imports.

Furthermore, if the market continues to expand, other world producers may start up operations in Brazil.

In this changing environment, Autolatina's structure is looking increasingly out of date.

The original aim of the venture in 1987 was to establish economies of scale in a stagnating, low-investment industry. VW and Ford pooled resources in areas such as administration and finances, and made similar-looking vehicles from the same platforms.

Last week the companies announced an important change in strategy: they will abandon the joint use of production platforms and switch to the platforms of their parent companies. They have, however, denied a complete divorce.

Mr Pierre Alain de Smedt, Autolatina chairman, says: "In 1987 Brazil was a closed economy, but the market has changed, and moving to world platforms is a normal evolution."

Brazil started to open its economy from 1990. Until then, the main manufacturers – which, apart from Autolatina, included General Motors and Fiat – had seen sales stagnate at between 800,000 and 900,000 vehicles a year.

The government cut car import duties from 60 per cent in 1991 to about 35 per cent last year, a move which helped push imports - particularly of Japanese and German luxury cars – from 15,000 to around 120,000 this year. Imports are expected to account for 10 per cent of the market this year.

Although the tariff reductions were important, what really made the difference were agreements between the government, companies and unions to try to kick-start the market. The measures involved cutting vehicle taxes and profit margins and controlling wage claims.

Taxes have fallen by 22 per cent on average, helping prices to tumble. This has been particularly true for 1,000cc cars, known as *"carros populares"*, where the tax reductions have been most marked. These now account for half of all sales, against 10 per cent in 1990. A 1,000cc VW Gol, for example, costs just over $7,000 today, compared with $13,000 three years ago, says Mr de Smedt.

The result was a 40 per cent production increase last year, to nearly 1.4m vehicles. This increase made Brazil the 10th-biggest producer worldwide, ahead of Italy and Mexico, and the figure is expected to approach 1.6m vehicles this year.

The growth has helped spur productivity gains, which have averaged 17 per cent a year since 1990. According to a report by consultants Booz-Allen earlier this year, increases in volume have accounted for more than half the productivity gains, with the rest due to restructuring.

Quality has also improved, according to Autolatina, which reported car defects down by 50 per cent since 1990.

However, problems remain. In spite of productivity gains, the gap with foreign competitors has actually widened since 1990, according to Booz-Allen. They note that even with labour costs as low as $8 an hour, compared with about $20 in Europe, Brazil's car industry is still 10 per cent less productive.

An Autolatina production line in São Paulo: VW and Ford will now use their own platforms

Mr Pacifico Paoli, chief executive of Fiat in Brazil, says the advantages of cheap labour and raw materials in Brazil are offset by an unsatisfactory transport infrastructure, a poor educational system and economic considerations such as high interest rates.

Furthermore, although taxes have been cut, they are still much higher than abroad, says Mr Paoli, who points out that tax accounts for one-third of the price of a standard saloon car and 17 per cent of a small vehicle.

The tax structure, however, could change under a new sector agreement, possible by the end of this year, and each company is pushing for a regime which favours its own production mix.

Fiat's 1,000cc Uno has made it the fastest-growing company. It has increased capacity and doubled sales of the model in the first half of the year, to 91,000, helping it widen its lead over General Motors.

However, a new agreement could change the tax mix to benefit larger models, so weakening Fiat's position and improving that of companies such as GM. While Ford and GM were left behind by the *"carro popular"* growth, GM was the first to respond. Demand for its 1,000cc Corsa has been high, and the company is trebling production from 3,500 at its March launch to 10,500 by the end of the year, according to vice-president Mr José Carlos Pinheiro. It also plans to build a plant with capacity of 100,000 vehicles a year.

Ford, whose market share has fallen by half to about 12 per cent in recent years, intends to produce Fiesta models in Brazil by the second half of next year, while VW is betting on the continued success of its Gol, which accounts for more than half its sales.

However, industry experts believe that if the market remains attractive, international competitors will set up factories in Brazil. Companies such as Toyota and Nissan, for example, are rumoured to be planning investments.

The reaction of local manufacturers to the threat of imports has been to call for quotas. The government has refused, and Mr Fernando Henrique Cardoso, the favourite to win presidential elections this year, has not supported the claims.

The priority, according to Mr de Smedt, is to continue modernising and improving productivity. "We can't relax. We must make the same level of gains in the next five years to be able to compete internationally."

FIDELITY WORLD FUND

Société d'Investissement à Capital Variable
Kansallis House - Place de l'Etoile
L-1021 Luxembourg

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Fidelity World Fund, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11:00 a.m. on September 27, 1994, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended May 31st, 1994.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3rd, Barry R. J. Bateman, Charles T. M. Collis, Charles T.M. Collis, Sir Charles A. Fraser, Jean Hamilius and H.F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended May 31, 1994, and authorisation of the Board of Directors to declare further dividends in respect of fiscal year 1994 if necessary to enable the Fund to qualify for 'distributor' status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 8 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with a minimum number of shares present or represented ih order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 29, 1994
BY ORDER OF THE BOARD OF DIRECTORS

Fidelity Investments™

INTERNATIONAL COMPANIES AND FINANCE

Fall in prices undermines Japanese steel producers

By Michiyo Nakamoto in Tokyo

Japan's five main steelmakers have revised their forecasts for the first half of fiscal 1994.

The new forecasts indicate the steel sector as a whole will report greater losses than in the same period a year ago, and all five will pass their interim dividends for the second consecutive year.

The companies said a moderate upturn in demand and strenuous cost-cutting efforts had enabled them to put in a better performance than expected earlier in the year.

However, the sharp appreciation of the yen and a fall in steel prices continue to undermine their performance, the companies noted.

They warned further that the yen's rise and low capital investment by Japanese companies continued to cloud their horizons.

Nippon Steel said it expected sales of Y980bn ($9.9bn), 10 per cent below the result last year. The company forecasts a pre-tax loss of Y30bn, nearly double the Y16.7bn loss it recorded in the first half of last year, on sales of Y1,060bn, but an improvement on the Y40bn it forecast earlier in the year. No sales forecast was made then.

Kobe Steel expects sales of Y530bn and a pre-tax loss of Y10bn, compared with first-half sales of Y545bn and a pre-tax loss of Y8.1bn last year. It had earlier forecast sales in the first half of Y520bn to Y530bn and a pre-tax loss of Y20bn.

NKK expects sales to total Y520bn and its pre-tax loss to be Y40bn, against last year's sales of Y537bn and a loss of Y1.9bn. NKK has not previously forecast its first-half results.

Meanwhile, Kawasaki Steel anticipates sales in the first half of Y450bn and a pre-tax loss of Y19bn. This compares with sales of Y522bn and a pre-tax loss of Y8.3bn in the first half of 1993 and an earlier forecast of Y450bn in sales and a Y20bn pre-tax loss.

Sumitomo Metal is forecasting sales of Y490bn and a pre-tax loss of Y24bn compared with sales of Y508bn and a Y9bn loss in the same period last year. This is the first forecast for the period from the company.

Lehman Brothers cuts another 300 jobs

Lehman Brothers, which started paring jobs even before it was spun off from American Express earlier this year, is trimming another 300 positions, a Wall Street source said, Reuter reports from New York.

Analysts think it is likely the cuts at Lehman will be followed by redundancies at other large Wall Street firms if business does not pick up soon.

A Lehman official said employment totalled 9,300 at the beginning of 1994, and fell to 8,950 by the end of June. It was at a peak of 9,400 in 1993.

The source said the new cuts were "across the board", affecting everyone from managing directors down, and were due to worsening conditions in the securities industry.

They affect only US operations and not employment abroad, where market conditions are in "growth stages", the source said.

Mr Perrin Long, analyst at First of Michigan Corp, noted that New York Stock Exchange member firms reported losses totalling $404m after tax in the second quarter of 1994, compared with a $1.5bn profit a year ago.

It was the largest quarterly deficit for the industry since a $1.7bn loss after tax in the fourth quarter of 1987.

American Barrick weighs options for Lac after takeover

By Robert Gibbens in Montreal

American Barrick Resources is poised to own 100 per cent of Lac Minerals in a few weeks and will then focus on the future of Lac's Canadian gold mining assets and its Latin American properties.

Barrick yesterday had taken up 84 per cent of Lac shares under its cash and share offer that expired on Tuesday at midnight.

The expiry date has been extended to September 19 to give remaining Lac shareholders time to tender. By then, Barrick expects to have acquired well over 90 per cent and can then proceed to acquire the balance.

The offer is either C$5 cash and 0.325 shares of Barrick for each Lac share or 0.487 Barrick shares. At Wednesday's price for Barrick shares, the offer was worth about C$15.56 a Lac share, for a total of C$2.3bn (US$1.7bn).

More Lac shareholders have opted for Barrick shares than expected because of a firm gold price and the strength of Barrick shares. Barrick is meeting the cost of the takeover from cash resources.

Mr Peter Munk, Barrick's chairman, will take over as chairman of Lac until the two companies are merged.

Barrick, already north America's fourth largest gold producer on the strength of the Goldstrike mine in Nevada, becomes the world's third-largest producer, after the Anglo-American group and Goldfields South Africa.

Mr Robert Smith, Barrick's president, and his mining team will examine Lac's Canadian properties immediately. Analysts believe Barrick will probably sell most of them, except a new British Columbia producer.

Mr Vince Borg, a spokesman for Barrick, said: "Nothing has yet been decided. Some smaller and mature Lac properties in Canada may be more valuable to other companies.

"Barrick is looking at the long-term potential of all the Lac properties, and our focus is also on the Latin American assets."

Barrick sees China as an area with "tremendous geological significance", Mr Borg said. Mr Munk is due to visit China later this year with Mr Jean Chretien, the Canadian prime minister.

New credit cards from Amexco

By Richard Waters in New York

American Express has unveiled the first in a series of new credit cards it plans to launch in coming months, signalling a renewed effort to compete with bank card issuers in the US.

The company has seen its share of the plastic card market shrink in recent years as growth in spending on its charge cards has failed to keep up with bank credit cards.

Its first revolving credit card, Optima, proved a disaster, forcing the company to take a large bad debt charge in 1991.

American Express's latest assault on the credit card market marks the first time it has tried to sell credit cards to people who do not already hold one of its charge cards.

It is also a reversal of the earlier "one-size-fits-all" approach under which the company relied heavily on its standard green charge card.

The company plans to launch a range of credit cards, each based on a different combination of annual fee, interest rate, grace period before charging interest and benefits.

The card unveiled yesterday, called the Optima True Grace Card, offers a 25-day interest-free period, no fees (provided the card is used at least three times a year) and a low introductory interest rate of 7.9 per cent.

The new credit cards, like the recently launched corporate purchasing card, indicate the intentions of Mr Harvey Golub, the company's chairman, to turn American Express back into a high-growth company after a lacklustre period.

Taiwan group may take Syncrude stake

By Robert Gibbens

Chinese Petroleum, Taiwan's state-owned energy company, may take a 5 per cent interest in Syncrude Canada, the Alberta oil sands producer, for about C$140m (US$103m).

The seller would be the Alberta government, which would retain a 6.7 per cent interest.

A Syncrude spokesman said others have shown interest in Syncrude, including the Koreans.

In Edmonton, Syncrude confirmed that talks were advanced between Chinese Petroleum and the Alberta government, while in Taipei, the Canadian Trade Office was reported as saying the deal looked "promising".

Syncrude is producing about 175,000 barrels daily and wants to raise this to 217,000 barrels a day. It has potential reserves estimated at 300bn barrels of oil.

Companies with a stake in Syncrude include Imperial Oil (Exxon) with 25 per cent, Petro-Canada 12 per cent, PanCanadian Petroleum and Alberta Energy 10 per cent each, Gulf Canada 9 per cent, Canadian Occidental 7.23 per cent, Murphy Oil, Mitsubishi, and Amoco Canada with 5 per cent each.

US custodian in Czech move

Morgan Stanley Trust, the US-based global custodian, has launched custody service for Czech securities transactions through the Prague branch of Dutch-based ING Bank, a Morgan Stanley official said, Reuter reports.

Morgan Stanley, which started similar services in Poland and Hungary last year, said it decided to launch its Czech operation because of increased client interest and confidence in the Prague Stock Exchange trading system.

Freeport-McMoRan arm sells non-mining assets

P.T. Freeport Indonesia, the Indonesian mining unit of Freeport-McMoRan Copper & Gold of the US, has sold a group of its non-mining assets for about $77m, AP-DJ reports from New Orleans. The deal is one of a series of completed and planned asset sales.

Freeport-McMoRan said the unit sold the assets to its Indonesian joint venture with ALatieF Nusakarya of Jakarta, Indonesia. ALatieF Nusakarya owns two-thirds of the joint venture, while P.T. Freeport owns the rest.

Freeport-McMoRan said the assets were primarily multi-family residential properties and a hotel complex.

P.T. Freeport will use the proceeds for general corporate purposes, including capital requirements for its mine-mill expansion, which it expects to complete during the second half of 1995.

The 84-room hotel complex will be managed under an agreement with ITT Sheraton, a unit of ITT of the US.

Ethane deal for ICI unit

ICI Australia, part of the UK chemicals group, has signed an agreement with Santos, the South Australian oil and gas group, for the supply of Cooper Basin ethane concentrate for its Sydney petrochemical plant writes Nikki Tait in Sydney.

The deal, announced three months ago, is critical to ICI's plans to construct a 1,300km pipeline between Moomba, in Victoria, and Botany Bay, in NSW, and supply the Australian plant locally.

INTL COMPANIES AND CAPITAL MARKETS

Mitsui abandons merger proposal

By William Dawkins in Tokyo

The Mitsui Group, the oldest of Japan's *keiretsu*, or corporate families, has called off a proposed merger designed to expand its pharmaceuticals interests, an area where it feels underweight.

Mitsui Pharmaceuticals, a unit of the group's main chemicals company, Mitsui Toatsu Chemicals, yesterday abandoned its merger with Toyama Chemical, a medium-sized pharmaceutical group, because of liabilities inherited by Toyama from a now defunct affiliate's failed property investments in the late 1980s.

The three companies cited a court case against Toyama, in which Sanyo General Capital, a financial institution, is seeking Y5bn ($51m) compensation for loans to Yuho Chemical, the former Toyama affiliate.

The collapse of the merger highlights how far corporate Japan still remains from clearing the damage left by the investment excesses of the so-called "bubble era" preceding the recession. Toyama has also been a victim of a growing trend among Japanese companies to take court action to settle disputes, rather than resolving rows in private.

The merger plan, announced in April 1993, was heralded by the Mitsui Group as an opportunity to build a pharmaceutical arm to rival those of the Mitsubishi or Sumitomo *keiretsu*. Until yesterday, Mitsui appeared ready to take on Toyama's legal problems, so that it could pursue its pharmaceuticals strategy.

Japan's pharmaceuticals industry is ripe for mergers and takeovers because the government is cutting prices on medicines covered by national insurance in a deliberate attempt to put pressure on companies to restructure.

The pharmaceutical companies announced a delay last October when it emerged that Toyama was facing legal action over Yuho Chemical, which went bankrupt four years ago with debts of Y40bn. Like many Japanese industrial companies, Yuho was tempted to diversify from its main business into property development during the boom in asset prices in the late 1980s.

The merger partners were hoping by the end of this month to agree fresh conditions for the accord, originally planned as a share exchange to be followed by the creation of an equally-owned company controlled by Mitsui Pharmaceuticals. However, by yesterday they were forced to conclude that a deal was unworkable.

Woolworths rises 17% in year to beat forecast

By Nikki Tait in Sydney

Woolworths, Australia's largest food retailer, yesterday announced an increase in profits which was well above forecast.

After tax and abnormal items, profits increased to A$200.3m (US$148.3m) in the year to June 27, a rise of 17 per cent on the previous year's A$171.2m, and comfortably above the A$188.5m forecast made when the company's shares were floated on the stock market last year.

The group is not connected with the US company or UK stores of the same name.

Its sales – up to A$11.5bn from A$10.5bn – also beat the forecast of A$11.3bn, as did profits before interest and tax of A$318.9m.

Trading profits in the previous year were A$282.2m, and had been forecast to rise to A$310.2m. The 1993-94 figures relate to a 52-week trading period, while the previous year took in 53 weeks.

Woolworths said that same-store sales, adjusting for the extra week, rose by 10.7 per cent, compared with a national retail sales increase of 5.7 per cent and an inflation rate of 1.7 per cent.

All divisions saw higher profits, with the contribution from the core supermarkets chain rising by 9.4 per cent, the general merchandise group by 12.2 per cent, and the specialty retail group by 42.9 per cent as the Dick Smith electronics retail business recovered. During the year, eight new supermarkets and several new variety outlets were added.

Woolworths said sales since the year-end had been "particularly strong", although the health of Australia's retail market generally remained patchy. Capital expenditure in the current year is likely to edge up to about A$260m, with an increased share going on the new store programme.

ConsPress hit by new title launch costs

By Nikki Tait

Mr Kerry Packer's Australian Consolidated Press, the magazine publishing group, yesterday reported an 8.9 per cent fall in profits after tax and abnormal items in the year to end-June, at A$55m (US$41m).

The result, which compared with A$60.4m in the previous 12 months, was achieved on sales 2.5 per cent higher, at A$415m. Fully diluted earnings per share fell to 31.7 cents, from 34.7 cents.

The 1993-94 earnings figure was depressed by a A$9.3m abnormal item, compared with no abnormals in the previous year. This, according to ConsPress, related to "losses incurred on the development of new titles". There has been a large number of new launches in the highly competitive Australian "mass women's" market recently.

Even at the operating level, before tax and abnormals, profits were lower at A$91.3m compared with A$98.9m last time – although ConsPress said the previous year included a one-off gain of A$4.7m due to accounting-related changes and A$1.5m from a controlled entity, Offset Alpine, which had since been shed.

It added that existing titles saw revenue grow by about 4 per cent last year, with circulation revenue rising by 3 per cent and advertising revenue by 6 per cent. However, profit from these titles fell by 1.5 per cent, as a result of higher editorial and promotional costs plus the expenses of establishing its Singapore operation.

The company sounded a more encouraging note about the current year, however, saying that it had budgeted for an increase in earnings before interest, tax and abnormals of approximately 10 per cent.

ConsPress added that the merger, already announced, with Nine Network – another Packer company – was due to take effect on November 8. The merger depends on shareholder approval.

Ampolex profits dented by fall in oil prices

Ampolex, the Sydney-based oil and gas group, yesterday revealed after-tax profits of A$55.3m ($40.9m) in the year to end-June, down from A$80.6m the previous year, writes Nikki Tait.

Profits before tax and abnormals were 1 per cent lower at A$114.7m.

The group said that it had registered record levels of oil and gas production, but that benefits of this were offset by a 22 per cent decline in crude oil prices and a significantly higher tax bill.

At Woodside Petroleum, the Australian oil and gas company primarily involved in development of the North West Shelf gas project, operating profits after tax more than halved to A$36.4m in the six months to end-June.

The comparable 1992-93 figure of A$72.5m was boosted by an abnormal gain of A$20.6m.

The final frontier for securitisation

US hurricane futures, European flood options and even "Acts of God bonds" will be traded by international investors within the next few years, predicts Mr Richard Sandor, a US financier and a founding father of the financial derivatives industry.

Mr Sandor, who pioneered interest rate and currency futures and options in the 1970s and 1980s, says that an embryonic reinsurance derivatives market is established.

Catastrophe reinsurance futures and options contracts were launched in December 1992 by the Chicago Board of Trade, which also lists a number of financial and other derivatives contracts. Trade so far has been limited, but the volume of transactions has increased by more than 10 times in the past year or so.

More important, the development of an exchange-traded product appears to be directly influencing developments in reinsurance, where an over-the-counter market in catastrophe reinsurance options has emerged.

"It is past its infancy and is really starting to crawl," says Mr Sandor, now chief executive and chairman of Centre Financial Products, a New York-based derivatives boutiques firm, which is one of more than a dozen firms trading the contracts in Chicago.

Most reinsurers are still highly sceptical about derivatives products. One chief executive argues that the options currently traded on the exchange are at least one and half times more expensive than equivalent reinsurance contracts. Critics say the liquidity in the derivatives market is likely to remain small and that the indices on which the contracts are based are inadequate and inferior to the traditional reinsurance products.

However, some reinsurers are more positive. Zurich Insurance, the large Swiss company, owns a stake in Mr Sandor's company, and others, including two UK brokers – Sedgwick and Willis Corroon – are also exploring the potential. There is interest, too, at Lloyd's. Mr Richard Keeling, a leading underwriter, said: "It is interesting; we ought to be taking it seriously."

Underpinning the interest is the conviction that the capital base of the orthodox insurance and reinsurance industry is increasingly inadequate to

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cope with the scale of catastrophic risks, a fact graphically demonstrated by disasters in the US.

Hurricane Andrew, which tore through Florida in August 1992, was the costliest US catastrophe with losses of more than $16bn.

This year's Northridge earthquake, which killed 60 people and damaged 44,000 California homes in January, was the industry's second costliest, with losses amounting to more than $7bn.

The severity of the loss was more a reflection of economic growth and demographic change over the past two decades than the power of the seismic shock itself. The Northridge earthquake "would have been a non-event 25 years ago," according to Mr Sandor.

Mr Andrew Martin, managing director of Sedgwick Payne Insurance Strategy, says that the capital and surplus of the US property and casualty industry is estimated at $183bn, "but many trillions of assets are insured and the risks exposed are increasing faster than insurers' capital and capacity".

The Chicago Board of Trade contract is based on an index calculated by the Insurance Services Office (ISO), a US industry body, and on the premiums received and claims paid by more than 24 US insurance companies.

Futures contracts are priced according to moves in the ISO loss ratio. The settlement price of each increases by $250 for each 1 per cent upwards movement in the ratio. For example, while a loss ratio of 20 per cent would give each contract a value of $5,000, a loss ratio of 120 per cent would make the contract worth $30,000.

Although trade in the futures contract itself has failed to take off, investors and buyers have begun to trade options – deals giving buyers the right but not the obligation to buy or sell at a pre-determined price.

Most of the contracts are "call spreads", used to limit and isolate a particular layer of risk, explains Mr Morton Lane, managing partner of Lane Financial, a company which advises brokers trading on the exchange.

Typically, buyers pay for an option to buy a futures contract when the loss ratio exceeds 50 per cent and sell when the ratio exceeds 70 per cent. The arrangements in effect give protection in the same way as an excess of loss reinsurance contract.

Over the past 18 months the CBoT has registered more than 5,000 trades on one particular contract – covering catastrophe losses on the eastern seaboard of the US, where there are large storm exposures. Observers also note a growing trend for reinsurers to use the Chicago contract loss index as an element of a specialist reinsurance policy, the loss warranty.

Claims on a loss warranty policy are triggered by two sets of losses: those on the insurance policy of the buyer, and industry-wide claims.

Mr Lane says that the exchange has stimulated changes in the way franchise covers are underwritten, with the trigger relating to industry-wide losses becoming more important.

As much as 20 times more business could be traded in "over the counter contracts", Mr Lane estimates, with underwriters of these deals frequently hedging their exposures by buying exchange traded contracts.

Mr Sandor compares the development to the way in which the underwriters of OTC interest rate swaps hedged their positions by buying eurodollar or US government bond futures in Chicago in the 1980s, helping to fuel the growth of that market.

In spite of industry scepticism, enthusiasts stress the attractions of the new products. For example, while the price of a traditional contract is generally known only by broker and underwriter, derivative contracts are transparent. And while reinsurance contracts are negotiated once a year, derivative contracts are more flexible and can be purchased or traded at any time.

Mr Martin says the development signals the beginning of the securitisation of the reinsurance industry, bringing it into line with other financial services. "Insurance and reinsurance may be the last frontier," he says.

Richard Lapper

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 08.09.94: Pool purchase price £/MWh	Final Prices for Trading on 11.08.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.96	13.12	16.10
0100	9.59	10.80	13.78
0130	9.59	10.80	13.78
0200	9.59	10.80	13.78
0230	9.58	10.80	13.78
0300	9.69	10.80	13.78
0330	9.59	10.80	13.78
0400	9.59	10.05	10.05
0430	9.59	10.05	10.05
0500	9.59	10.05	10.05
0530	9.69	10.05	10.05
0600	9.92	10.76	13.73
0630	9.96	10.76	13.73
0700	13.12	13.18	16.15
0730	17.34	16.90	19.88
0800	16.27	18.03	21.01
0830	17.06	31.39	34.43
0900	17.36	22.30	25.51
0930	17.39	30.14	33.51
1000	17.41	33.12	36.60
1030	17.42	33.18	36.66
1100	17.43	33.23	36.72
1130	20.71	34.87	38.30
1200	17.49	35.30	39.08
1230	31.14	50.14	53.86
1300	31.10	49.23	52.75
1330	20.64	32.39	35.67
1400	20.62	31.89	35.05
1430	16.85	31.49	34.61
1500	17.08	31.41	34.51
1530	17.06	31.30	34.37
1600	17.37	31.37	34.47
1630	16.98	49.62	52.78
1700	26.57	48.74	52.01
1730	26.65	49.59	52.72
1800	17.06	49.29	52.35
1830	17.35	26.49	29.42
1900	16.47	21.39	24.36
1930	16.47	19.19	22.17
2000	16.47	18.33	21.30
2030	26.00	18.38	21.30
2100	26.00	18.33	21.30
2130	18.89	31.00	33.98
2200	18.27	31.00	33.98
2230	16.31	25.19	28.17
2300	16.27	18.00	20.96
2330	15.80	16.79	19.77
2400	13.47	16.90	19.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per Megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 5:15pm Monday to Friday.
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Ireland to launch gilt contract to lift market liquidity

By Graham Bowley

The Irish Futures and Options Exchange plans to launch a futures contract based on the 10-year Irish government bond by the end of the year as part of a series of changes to improve the liquidity of the Irish bond market.

The contract, which will complement an existing 20-year gilt contract, will be underpinned by a new securities repurchase system which is likely to be in place by the end of the year.

The reforms are designed to attract more foreign investment, which should in turn reduce the cost of borrowing to the Irish exchequer.

The Treasury believes the progress towards peace in Ireland will have a positive impact.

"The IRA ceasefire will have a beneficial impact on the economy and on the bond market, supporting domestic confidence and attracting foreign investors," said Mr John Corrigan, a director of the Irish National Treasury Management Agency.

Other reforms have included the replacement of the Irish bond market's order-driven system with a marketmaking operation which is to start next year. This will involve five to six marketmakers, including two offshore marketmakers, likely to be two of the pan-European investment houses based in London.

In early 1995, an independent Irish stock exchange will be created when the Dublin stock exchange is separated from the International Stock Exchange of the United Kingdom.

Ireland is hoping to revive its planned eurobond issue denominated in Irish punts which was cancelled at the end of 1993 because of turbulent bond market conditions. At the time, the issue was believed to carry a 30-year maturity.

Increased tourism lifts Air New Zealand profit

By Terry Hall in Wellington

Air New Zealand lifted tax-paid profits by 36.6 per cent to NZ$190.7m (US$115.1m) in the year to end-June due to a stronger tourism market, particularly with visitors from Asia.

The company said yesterday it was confident of further growth during the coming year with the continuing development of its Asia and Pacific networks, together with opportunities provided by marketing agreements with Australia. Air New Zealand is using Brisbane as a hub for many of its services to Asia.

Group operating revenue rose by 11 per cent to NZ$2.6bn of which NZ$215m was increased passenger revenue. Group cash flow from operating revenues rose 64.6 per cent to NZ$425m. Total assets were up by NZ$95.4m to NZ$2.86bn.

Directors are recommending a final dividend of 8 cents a share, making a total of 14 cents for the year, up 4 cents on last year.

Bunds remain bearish ahead of GDP data release

By Antonia Sharpe and Martin Brice in London and Frank McGurty in New York

German bonds made a half-hearted attempt to stabilise yesterday after six days of falls but analysts said sentiment remained bearish. Yields on 10-year bunds hovered around 7½ per cent ahead of today's release of second-quarter GDP data.

GOVERNMENT BONDS

The data are expected to show quarter-on-quarter expansion of around 1 per cent which would bring the yearly growth rate close to 2 per cent. However, analysts said the quarter-on-quarter data could be misleading initially because they are rounded up or down to the nearest half-point.

Dealers said a weaker-than-expected result could lift the market but that any gains would be limited because investors would use the strength to sell out.

"The bund market still needs to price in a greater risk premium," said one bond salesman.

Remarks by Bundesbank central council member Mr Hans-Juergen Krupp that there was room for a further cut in German interest rates were also viewed with some scepticism because of his doveish reputation with respect to inflation.

Latest opinion poll findings which did not give a clear majority to the government and supply concerns also kept the lid on bund prices. About DM70bn worth of funding still needs to be done before the end of the year.

The Bundesbank had a better-than-expected reception to its Treuhand auction, alloting DM4.19bn at an average weighted price at 99.91 and an average yield of 7.51 per cent. The Bundesbank retained DM2.81bn of the issue for market-tending operations, bringing the total volume on the issue to DM10bn, above market estimates of DM8bn.

■ Gilts were little changed in thin trading yesterday as the market awaited the outcome of the monthly meeting between Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England.

"Eddie George will have a tough case persuading the chancellor that rates should go up now," said Mr Robert Thomas at Natwest Markets. Mr John Shepperd at Yamaichi said the consensus was that there would be no change in interest rates.

The speech in Leiden by Mr John Major, prime minister, addressing the future of Europe, came too late to affect trading. However, the yield spread between gilts and bunds widened to 137 basis points, against 132 basis points on Friday.

A two-speed Europe would be negative for the gilt market because of the widely-held view that the UK would be relegated to the slow lane along with Italy and Spain.

On Liffe, the December long gilt future rose ½ point to 100⅜ in late trading.

■ Italian bonds were largely unchanged in spite of government moves to cut spending on pensions. The yield on the 10-year benchmark bond was down 3 basis points to 12.26 per cent. The Spanish benchmark 10-year bond yield was unchanged at 11.38 per cent.

■ US Treasury bonds posted moderate losses yesterday morning as traders adjusted their positions ahead of Friday's producer price data.

By midday, the benchmark 30-year government bond was 11/32 lower at 99 1/32, with the yield rising to 7.565 per cent. On the short end, the two-year note was down 1/32 at 100 1/32, to yield 6.198 per cent.

The morning's economic news was marginally unfavourable, although traders did not view the data as especially significant. The Commerce Department announced a 0.4 per cent fall in July wholesale sales and a 0.8 per cent rise in wholesale inventories.

In a more troublesome report, the Labor Department lowered its estimate of the decline in second-quarter non-farm productivity to 2.5 per cent, the largest drop since the first three months of 1989. In addition, it said unit labour costs had risen 3.4 per cent last quarter, a red flag for inflation-sensitive bonds.

The weak tone was more of a reflection of the market's shaky technical conditions in the run-up to the release of Friday's inflation data.

Dublin likely to tap 10-year eurobond sector

By Graham Bowley

Ireland is likely to tap the 10-year area of the dollar and French franc sectors of the eurobond market to meet its 1995 foreign borrowing needs, which are expected to be about I£4bn, the National Treasury Management Agency said yesterday.

Mr Adrian Kearns, head of foreign borrowing at the NTMA, said Ireland has already met its I£800m of foreign borrowing needs for this year.

INTERNATIONAL BONDS

"It is unlikely that there will be any more issuance this year," he said, although Ireland could come to the eurobond market in October or November to start next year's funding programme.

Cemex, the Mexican cement company, yesterday increased Tuesday's $250m offering of seven-year eurobonds by a further $50m. The price range on the original tranche was a yield spread of 230 to 240 basis points over underlying US Treasuries.

"Emerging markets have proved to be difficult all year, Mexico in particular. But this is a fairly strong sign that they are back in business," said one syndicate manager.

"This deal could lead to a number of Mexican entities coming to the [eurobond] market now that the elections are over and things have calmed down over there," said another syndicate manager in London.

Syndicate managers said the deal was aggressively priced but that it had been a success. "Being a seven-year deal, it is most likely to appeal to US institutional investors," a syndicate manager at lead manager Bankers Trust International said.

Abbey National launched a FFr2bn four-year bond priced to yield 24 basis points above the 9½ per cent French government bond due 1998.

The offering received significant support from French retail and institutional investors, joint lead manager Merrill Lynch said, and the spread of 24 basis points was maintained after the bonds broke syndicate. The proceeds were swapped back into sterling, Abbey National said.

Depfa Finance launched a $150m offering of two-year bonds, priced to yield 15 basis points over the 6¼ per cent US Treasury due 1996.

The bonds were sold to retail and institutional investors in Switzerland, Germany and the Benelux countries, Depfa said. The proceeds were swapped into floating rate dollar and D-Mark funds, Depfa said.

"There is still good demand from continental European investors for short-dated dollar paper," said Frank Ruehland, treasurer at Depfa.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Depfa Finance(a)	150	6.375	99.88R	Oct.1996	0.15R	+15(6¼%-96)	Daiwa Europe
Cemex(b)	50	(b1)#	(b1)R	Sep.2001	0.75R	+230-240(c)	Bankers Trust International
YEN							
Seiyu(d)*	20bn	4.45	100.075R	Dec.1999	0.25R	-	Nomura International
Uniden Corp.(e)§	10bn	0.625#	100.00	Sep.1998	2.50	-	Daiwa Europe
Seiyu(d)*	10bn	4.85	100.225R	Dec.2001	0.30R	-	DKB International
FRENCH FRANCS							
Abbey Natl.Treasury Services(a)	2bn	7.50	99.46R	Dec.1998	0.25R	+24(9½%-98)	CDC/Merrill Lynch France
AUSTRALIAN DOLLARS							
National Australia Bank	100	9.50	101.55	Oct.1999	2.00	-	Hambros Bank
LUXEMBOURG FRANCS							
Eurofima	4bn	8.50	101.875	Oct.2004	1.875	-	BCEE/ BGL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Long 1st coupon. b) Issue launched on Tuesday was increased to $300m. b1) Priced later. c) Over interpolated yield. d) Short 1st coupon. e) Pricing: 14/9/94. Callable from 30/9/96, subject to 130% hurdle, at par.

Astra raises US profile with OTC listing

By Hugh Carnegy in Stockholm

Astra, the fast-growing Swedish pharmaceutical group, yesterday moved to enhance its profile in the US by obtaining a listing on the over-the-counter market in New York.

The company said American depository receipts matching its A and B shares already quoted in Stockholm and London began trading yesterday.

Astra, which last week reported a 23 per cent rise in pre-tax profits in the first half to SKr4.5bn ($590m), claims a 17 per cent US market share for its most successful product, the anti-ulcer drug Losec.

Losec is marketed in the US through a licence agreement with the US group Merck. Under the terms of a 1982 agreement, the two companies must decide whether to create a new joint venture by early next year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.7500	-0.120	9.51	9.37	9.40
Belgium		7.250	04/04	90.9900	+0.090	8.66	8.42	8.03
Canada *		6.500	06/04	84.1000	-0.600	8.99	8.81	9.04
Denmark		7.000	12/04	85.9500	+0.180	9.16	8.79	8.35
France	BTAN	8.000	05/98	101.8750	+0.150	7.39	7.21	6.81
	OAT	5.500	04/04	83.4800	+0.160	8.02	7.84	7.48
Germany Bund		6.750	05/04	94.7700	-0.110	7.52	7.23	7.02
Italy		8.500	04/04	79.6000	-	12.17†	11.61	10.77
Japan	No 119	4.800	06/99	103.4420	+0.370	3.95	4.18	4.02
		4.100	12/03	96.9680	+0.470	4.57	4.76	4.70
Netherlands		5.750	01/04	88.5400	-	7.49	7.27	7.05
Spain		8.000	05/04	80.7300	+0.220	11.36	11.02	10.39
UK Gilts		6.000	08/99	90-07	+3/32	8.46	8.33	8.18
		6.750	11/04	87-01	+11/32	8.66	8.50	8.42
		9.000	10/08	102-15	+12/32	8.69	8.52	8.49
US Treasury *		7.250	08/04	99-23	-11/32	7.29	7.20	7.33
		7.500	11/24	99-06	-9/32	7.57	7.46	7.60
ECU (French Govt)		6.000	04/04	83.3500	-0.050	8.61	8.40	7.98

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.85	Two year	6.21
Prime rate	7¾	Two month	4.69	Three year	6.52
Broker loan rate	6½	Three month	4.85	Five year	6.92
Fed.funds	4¾	Six month	5.08	10-year	7.30
Fed.funds at intervention	-	One year	5.56	30-year	7.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.14	112.02	-0.04	112.42	111.90	167,471	86,467
Dec	111.22	111.08	-0.04	111.44	110.98	20,828	66,325
Mar	110.58	110.44	-0.04	110.60	110.40	543	4,062

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
111	1.14	1.98	2.26	1.02	1.88	-
112	0.61	1.53	1.80	1.54	2.40	3.35
113	0.28	1.06	1.50	2.20	2.89	-
114	0.12	0.66	-	-	3.50	-
115	0.05	0.45	-	-	-	-

Est. vol. total, Calls 18,616 Puts 33,753. Previous day's open int., Calls 193,726 Puts 286,411.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.20	90.16	-	90.60	90.07	13698	17704
Dec	89.20	89.16	+0.11	89.45	88.84	170606	124307
Mar	88.45	88.41	-0.09	88.50	88.23	642	1093

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
8900	0.70	1.13	1.39	1.50	0.54	0.97	1.23	2.09
8950	0.45	0.88	1.11	1.27	0.79	1.22	1.45	2.36
9000	0.28	0.66	0.88	1.06	1.10	1.50	1.72	2.65

Est. vol. total, Calls 8284 Puts 22292. Previous day's open int., Calls 156759 Puts 151510

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep			-			0	52
Dec			-			0	0

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.22	96.37	+0.48	96.70	95.85	42016	58602
Mar	95.50	95.50	+0.51	95.50	95.50	46	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9600	2.75	1.31	2.38	1.81
9650	2.48	1.10	2.61	2.10
9700	2.22	0.92	2.85	2.42

Est. vol. total, Calls 809 Puts 1767. Previous day's open int., Calls 7546 Puts 6870

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	86.06	86.30	+0.33	86.35	86.00	91,845	87,735
Dec	84.80	84.88	+0.10	84.98	83.45	10,058	32,072

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-24	100-30	+0-13	101-05	100-20	2005	27700
Dec	99-31	100-07	+0-11	100-18	99-26	54646	84580
Mar		99-19	+0-11			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
100	2-15	2-49	2-01	3-11
101	1-46	2-21	2-32	3-47
102	1-18	1-61	3-04	4-23

Est. vol. total, Calls 1659 Puts 3031. Previous day's open int., Calls 17018 Puts 20713

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	80.66	80.42	+0.02	80.66	80.10	921	5,163
Dec	80.04	79.90	-	80.10	79.84	1,043	4,055

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-20	102-18	-0-01	102-25	102-15	38,678	153,022
Dec	101-26	101-23	-0-01	101-30	101-19	262,866	292,063
Mar	101-01	100-31	-	101-05	100-29	230	7,742

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.05			108.11	107.94	2015	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Sep 7	Day's change %	Tue Sep 6	Accrued interest	xd adj. ytd		Low coupon yield Sep 7	Sep 6	Yr. ago	Medium coupon yield Sep 7	Sep 6	Yr. ago	High coupon yield Sep 7	Sep 6	Yr. ago
1 Up to 5 years (24)	119.85	+0.07	119.78	1.54	8.01	5 yrs	8.54	8.56	6.32	8.65	8.67	6.43	8.77	8.79	6.63
2 5-15 years (21)	138.46	+0.24	138.13	1.80	9.22	15 yrs	8.59	8.63	6.96	8.72	8.75	7.12	8.97	9.01	7.37
3 Over 15 years (9)	153.81	+0.37	153.25	1.08	9.81	20 yrs	8.54	8.57	7.11	8.72	8.75	7.21	8.82	8.86	7.39
4 Irredeemables (6)	176.27	-0.14	176.51	2.50	8.83	Irred.†	8.61	8.59	7.32						
5 All stocks (60)	135.99	+0.20	135.72	1.61	8.97										

Index-linked							Inflation 5% Sep 7	Sep 6	Yr. ago	Inflation 10% Sep 7	Sep 6	Yr. ago
6 Up to 5 years (2)	185.63	+0.01	185.61	0.76	3.95	Up to 5 yrs	3.77	3.77	2.52	2.71	2.70	1.75
7 Over 5 years (11)	173.97	+0.03	173.92	0.94	3.46	Over 5 yrs	3.79	3.79	3.22	3.60	3.60	3.06
8 All stocks (13)	174.30	+0.03	174.26	0.92	3.49							

Debentures and Loans						5 year yield Sep 7	Sep 6	Yr. ago	15 year yield Sep 7	Sep 6	Yr. ago	25 year yield Sep 7	Sep 6	Yr. ago
9 Debs & Loans (75)	127.44	+0.39	126.94	2.36	7.61	9.72	9.77	7.61	9.65	9.70	8.02	9.59	9.63	8.18

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 7	Sep 6	Sep 5	Sep 2	Sep 1	Yr ago	High*	Low*
Govt. Secs. (UK)	91.28	91.08	91.59	91.71	92.10	102.89	107.04	90.99
Fixed Interest	107.99	108.25	109.02	110.03	109.90	124.98	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 6	Sep 5	Sep 2	Sep 1	Aug 31
Gilt Edged bargains	85.3	91.4	121.7	84.1	84.3
5-day average	93.3	92.7	89.8	80.6	78.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅝	91⅞	-⅛	7.86
Alberta Province 7⅝ 96	1000	101⅝	101⅞	-⅛	7.16
Austria 8½ 00	400	105¼	105½	-¼	7.30
Bank of Tokyo 8⅜ 96	100	102⅜	102⅞		6.66
Belgium 5½ 03	1000	85¼	85½	-¼	7.81
BFCE 7¾ 97	150	102⅛	102½		6.77
British Gas 0 21	1500	10⅜	11	-⅛	8.61
Canada 9 96	1000	103⅝	103⅞		6.30
[illegible]					
United Kingdom 7¼ 97	5500	101⅛	101½	+⅛	6.62
Volkswagen Intl Fin 7 03	1000	94½	95⅛	-⅛	7.89
World Bank 0 15	2000	19⅝	20⅛	-⅛	7.95
World Bank 5⅞ 03	3000	86⅛	86⅝	-½	7.68
World Bank 8⅜ 00	1250	106⅛	106⅝	-1	6.94
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	100	101		6.00
Austria 4½ 00	1000	96¼	96½	-⅛	6.31
[illegible]					
Abbey Natl Treasury 8 03 £	1000	91¼	91½		9.52
Alliance Leics 11⅜ 97 £	100	106½	107		8.61
British Land 8⅞ 23 £	150	87½	88		10.49
Denmark 6¾ 98 £	800	93⅝	93⅞	+⅛	8.72
EIB 10 97 £	637	103⅝	104	-⅛	8.16
Halifax 10⅜ 97 £	100	104⅜	104¾		8.31
Hanson 10⅜ 97 £	500	104	104⅜	+⅛	8.88
HSBC Holdings 11.69 02 £	153	109¼	109⅝	+⅛	9.94
Italy 10½ 14 £	400	106⅝	107	+⅞	9.72
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts (Lives up to Five Years)							
Treas 8pc 1994‡‡		8.94	5.21	100⅜	—	103⅝	100⅝
12pc 1995		11.72	5.98	102⅜	—	107⅜	102⅜
Exch 3pc Gas 1990-95		3.05	5.65	98⅜	—	98⅜	97⅜
10¾pc 1995		9.92	6.31	103⅜	—	107⅜	103⅜
Treas 11¼pc 2001-4		10.27	9.03	111⅜xd	+⅜	128⅜	110⅞
Funding 3½pc 1999-4		4.89	7.85	71⅜	+⅛	86⅜	71⅜
Conversion 9½pc 2004		9.10	8.82	104⅜	+⅜	125⅜	103
Treas 6¾pc 2004‡‡		7.79	8.68	87⅜	+⅜	105⅜	86⅜
Conv 9½pc 2005		9.07	8.79	104⅜	+⅜	125½	103⅜
Index-Linked	(b)						
2pc '96	(67.9)	2.85	3.69	198⅜xd	—	203⅝	197⅜
4⅝pc '98‡‡	(135.6)	2.78	3.55	107⅞	—	113⅜	106⅜
2½pc '01	(78.3)	3.32	3.72	165⅜xd	+⅛	176⅜	163½
2½pc '03	(78.8)	3.48	3.76	161⅜	+⅛	173⅝	159⅜
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

NFC committed to value added business

By Andrew Bolger

NFC insisted yesterday that there was no management interregnum at the UK's largest transport and logistics group, in spite of the sudden resignation last month of its chief executive, Mr Peter Sherlock, after only 18 months in the job.

Mr James Watson, chairman, said the group remained committed to its strategy of focusing on higher value added business, such as logistics and moving services, rather than routine transportation.

He said: "We still have the same opportunities. In fact, I have been a little disappointed about the limited speed of change so far."

A new chief executive would be appointed as soon as possible. Both internal and external candidates would be considered for the post.

The leading internal candidate is Mr Robbie Burns. In May, Mr Burns resigned after 23 years with NFC, but rescinded his decision when Mr Sherlock left.

Mr Watson has increased his executive role and NFC yesterday spelled out the responsibilities of its management committee, which is being chaired by Mr Trevor Larman, finance director. Mr Sherlock had 15 operational executives reporting directly to him, and the group was anxious to clarify its lines of control.

Mr Burns will have direct responsibility for all logistics operation in the UK and will chair the two logistics companies in North America, while Mr Graham Roberts has assumed main board responsibilities for logistics in mainland Europe.

Mr Larman will also chair the two main moving businesses, Allied Van Lines in North America and Allied Pickfords Europe.

Mr Dennis Olliver will continue his responsibilities for Lynx, the parcels business.

NFC confirmed that it made pre-tax profits of £76.8m in the 40 weeks to July 9. This compared with £116.8m in the corresponding period, which included an exceptional £50m profit on the disposal of its waste management business. Stripping out exceptionals, pre-tax profits rose by 23 per cent.

Revenue from transport and logistics in the UK was marginally down at £631m, with operating profit slightly ahead at £45.2m.

Earnings before exceptional items were 8.8p (8.2p). A third interim dividend of 1.6p brings payments for the year so far to 4.5p, an increase of 6.6 per cent.

Midlands Electricity to shed 1,200 jobs

By Michael Smith

Midlands Electricity is to shed 1,200 jobs in the next three years as part of a restructuring aimed at cutting costs by more than £30m a year.

The cutbacks of more than a fifth of the core business's 5,300 workforce are the latest in a series among electricity companies following a recent regulatory review.

Mr Nigel Griffiths, Labour consumer spokesman, demanded a parliamentary inquiry into the regional electricity companies. "The companies are out of control," he said. "Workers and customers are being made to pay for soaring profits."

Midlands' announcements follows similar moves at Norweb, also shedding 1,200 jobs and Manweb, where 500 are going.

Mr Bryan Townsend, Midlands chairman, said he expected the company to be able to increase dividend payments by a minimum of 5 to 6 per cent in real terms for the five-year duration of the regulatory regime.

Some 700 of the job losses will result from the replacement of six geographic operating division by four next April and changes in the company's headquarters functions. Midlands intends to achieve the cuts through voluntary means. Over the past three years manpower has fallen by 900.

Unlike Manweb, Midlands is not making any additional financial provision for the restructuring. The regulatory review resulted in a 14 per cent cut in Midlands' allowable charges from next April.

However Midlands is one of the few companies which does not charge the full allowable amount in the current year. As a result, it says, the initial reduction in regulated income in 1995/96 will be some £20m, a nominal reduction of 6.1 per cent.

Amec moves ahead to £9.3m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Amec, the international engineering and construction group, increased slightly from £9.1m to £9.3m in the first six months of 1994 in spite of a £3.2m loss on a property sale.

The shares rose 4p to 121p following an optimistic assessment by Sir Alan Cockshaw, the chairman, of the trading outlook for the second half of this year and in 1995.

The housing and property side would have made a small profit but for the loss, due to an unforseen tax charge, on the sale of the company's Trafalgar Place development.

Amec is maintaining the interim dividend at 1.5p. Sir Alan said that he would consider whether to raise the 1.5p final "in the light of trading prospects for 1995".

Earnings per share fell from 1.4p to 1.1p requiring an £300,000 transfer from reserves to meet the cost of the interim dividend.

Sir Alan said that trading conditions in general building and civil engineering remained tough, but the group had made good progress in winning higher margin overseas and specialist engineering work.

The group's determination to improve the quality of its order book by rejecting underperforming contracts was reflected in a 17 per cent decline in turnover from £1.12bn to £926m.

General building and civil engineering only broke even and made a loss in the UK, offset by a return to the black by Morse Diesel in the US. Divisional turnover rose from £346.3m to £348.9m.

Mechanical, electrical and process engineering profits rose from £10.9m to £15m in spite of a fall in turnover from £741.9m to £525m. Profits continued to flow through from

Alan Cockshaw: shares rose 4p on optimistic assessment

previous North Sea hook-up contracts although work in this sector has declined.

Sir Alan said the company was winning better quality construction work in the UK, while service contracts for the North Sea were compensating for a lower level of fabrication and hook-up work. A higher proportion of work was being won overseas.

● **COMMENT**

Only Trafalgar House and BICC, among UK contractors can boast the range of skills offered by Amec. Its problem is that margins for overseas work and process engineering are still not great, albeit better than those for general contracting. The group, moreover has managed to trip itself up in recent years. Housing should show some sharp gains as margins rise. Amec remains a quality business but needs to deliver better times rather than just promising them. The long awaited settlement of the Tiffany contract may help. Profits of £27m (excluding Tiffany) this year and £40m next put Amec on prospective multiples of 23 and 16, which looks a little dear.

Baird to refocus activities

By Tim Burt

William Baird, one of Marks and Spencer's leading suppliers, yesterday announced plans to withdraw from the engineering sector and concentrate on its core clothing and textiles business.

Announcing flat first-half profits of £8.81m (£8.77m), the group said its long-term aim was to sell its three remaining engineering businesses.

"We want to focus on textiles and we will make disposals, although we're not in any hurry," said Mr Donald Barr, chairman.

The engineering division made a reduced contribution of £1.1m (£2.7m) following the disposal earlier this year of the UK businesses of Darchem's building services division, a provider of relocatable accommodation units, and some of the assets of the Dalfratex and Scotswood businesses.

By comparison, the textiles division reported a 24 per cent increase in operating profits to £8.7m (£7m) in the six months to June 30.

Sales by the division – comprising contract clothing, home furnishing, fabrics and brand clothing – rose 15 per cent to £233.3m (£203.6m), and underpinned a rise from £230.7m to £240.5m in the group total.

Of the textile businesses, the sharpest improvement was reported by contract clothing, which increased profits from £2.63m to £4.38m following a maiden first half contribution from Richard I Racke, the M&S supplier acquired last year.

Earnings per share were unchanged at 5.2p, and the interim dividend is maintained at 3.55p.

Wilson (Connolly) warns on costs

By Caroline Southey

Mr Ian Black, managing director of the housebuilder Wilson (Connolly) Holdings, warned yesterday that "inflationary evidence has appeared in the costs of labour and materials, which has not yet been reflected in increased house prices."

Mr Black added that in the last eight months labour and material costs had risen on average by 8 per cent, including a 15 per cent increase in the price of bricks and concrete blocks. Bricklayers, he said, were being paid between 10 and 20 per cent more.

Nevertheless, a 9 per cent increase in the number of homes sold by its Wilcon Homes subsidiary helped push up group pre-tax profits by 62 per cent.

In the six months to June 30, pre-tax profits stood at £13.3m (£8.2). The housing division contributed £13.3m (£7.8m) and £1.2m (£39,000) came from property. Construction incurred a loss of £1.15m, against profits of £221,000.

Turnover advanced 24 per cent to £127m (£102m) with the strongest growth in housing, which had sales of £105m (£88.5m). "Our planned volume growth in a low inflationary economy is showing signs of success," Mr Black said.

However, a strong first quarter had been followed by "an easing off in the rate of recovery." Mr Black expected that house prices would rise only marginally, keeping pace with inflation.

His warnings affected the share price, which fell 15p to 213p.

Mr Black said margins had improved from 10 per cent to 12 per cent, mainly due to a higher proportion of sales of larger units. The average selling price was £58,000 compared with £54,500. He said he expected the trend in sales, up 9 per cent to 1,750, to remain the same.

An interim dividend of 1.36p (1.27p) was announced, on earnings of 4.7p (2.9p).

The landbank stood at 14,400 plots at the end of June. Net cash was £25m.

Following the losses in the construction division, the company is withdrawing from external contracting.

● **COMMENT**

Wilson Connolly's concerns about higher labour and material costs made the market nervous. It had assumed cost increases had been held at about 3 or 4 per cent rather than the 8 per cent indicated by Mr Black. With an operating margin target of 14 per cent, the company is beginning to reach its peak. However, it remains a benchmark for quality in the sector and is soundly managed. With profit forecasts of £36m for 1994 and a prospective p/e of more than 16, it's all in the price.

Companies warm to Fids

David Wighton looks at the latest dividend fad

Some shareholders may look back with nostalgia to the days when a dividend was a just dividend. After being treated to enhanced scrip dividends last year many are now being offered a new variety – foreign income dividends (Fids). This time the innovation has been rather better received.

Fids were introduced by the government to help companies that derive a large proportion of profits from overseas. They can suffer an abnormally high overall tax rate if their mainstream corporation tax liability is insufficient to offset the advance corporation tax paid on dividends. Under the new scheme they can reclaim ACT paid on a Fid if they can show the dividend was funded out of foreign profits.

Companies were initially cautious about the idea, partly because it is administratively complex, but also because the change benefits some shareholders more than others. A conventional dividend is paid with a 20 per cent tax credit which non-taxpayers, including pension funds, can reclaim. Those paying tax at 20 per cent or 25 per cent face no further liability while those on the top rate pay a further 20 per cent.

A Fid carries the normal 20 per cent tax credit but tax-exempt shareholders can no longer obtain a repayment. For them, a Fid is worth 20 per cent less than the same sum paid as a conventional dividend.

To compensate, companies introducing Fids are paying 25 per cent more than they would have as a conventional dividend leaving the non-taxpayer unaffected. For companies the higher payment is offset by a lower tax bill. The beneficiaries are tax-paying shareholders, whose income rises by 25 per cent.

Although institutions that do not benefit are still lukewarm, Fids are now appearing in a flood. The first came from BAT Industries which announced in March that it would pay its final dividend for last year as a Fid. However Ladbroke, which announced in March it was looking at Fids, did not take advantage of the new rules for its interim dividend last week and said it had made no decision on the final.

The first Fid interim came this week from Coats Viyella while Burmah Castrol, which is paying a conventional interim, announced that it would pay part of the final as a Fid. Yesterday, RTZ declared a Fid interim and said it would pay as much of its final as a Fid as would allow it to get back all its ACT.

Mr Chris Bull, finance director, argues that even non-tax-paying shareholders should benefit from the Fid. "We have been writing off about £35m a year of ACT which will now be available for distribution to shareholders. In theory this should enhance the value of the shares, although the funds will not be distributed to non-tax paying investors."

Fids, however, pose a ticklish problem for the City: how are dividend yields and cover to be calculated? For tax-paying shareholders, receiving a Fid gives them a higher income than from the equivalent conventional dividend. But for tax-exempt shareholders the yield is unchanged. The City needs to decide which type of investor should be regarded as the norm.

UAPT says yes to Equifax offer

By Andrew Bolger

UAPT-Infolink, the British credit reference company, has recommended shareholders to accept the £51m offer from Equifax after the US credit data group learned that its bid of 650p per share would not be referred to the Monopolies and Merger Commission.

UAPT's board had previously recommended a 550p per share offer from Trans Union, Equifax's main competitor in the US, because Trans Union had no UK operations and so did not risk a referral to the MMC. Equifax already owns a credit information business in the UK. However, UAPT's board later rescinded its recommendation, effectively leaving the outcome of the bidding war to the Office of Fair Trading.

Strong paper sales help Portals advance 20%

By Paul Taylor

Continued strong papermaking sales helped Portals Group, the security and specialist papermaker, lift first half pre-tax profits by 20 per cent to £16.2m compared with £13.5m.

The advance, which was ahead of market expectations, reflected a 13 per cent increase in paper sales together with a £568,000 swing from interest payments to receipts.

Earnings per share in the six months to June 30 increased to 17.99p (15.04p) and the interim dividend is raised to 5.75p (5.25p). The shares closed 20p higher at 675p.

Underlining the group's confidence in the future of specialist paper Mr John Lloyd, managing director, said a new £35m long fibre paper machine would be built at the JR Crompton facility.

The decision comes only six months after the group announced plans for a £19m paper machine at its Portals Limited banknote paper plant.

"With the two new paper machines costing over £50m and coming on stream during 1996, we will have the substantial new capacity we need to meet demand in our two main businesses," said Mr Lloyd.

Operating profits increased by 15 per cent to £15.5m (£13.5m) on turnover ahead 10 per cent at £100.3m (£91.2m).

Security and specialist papermaking led the advance with operating profits up 20 per cent at £11.9m (£9.86m) on sales of £58.2m (£51.6m). Demand remained strong and all the mills operated at close to capacity. Banknote paper sales were 18 per cent ahead of last year, which had a quiet start.

The protection and control division, as expected, reported a more modest 1.4 per cent increase in operating profits to £3.67m (£3.62m) on sales up 6.3 per cent to £42.1m. Margins slipped to 8.7 per cent (9.1 per cent) partly reflecting the cost of investments in new products including an integrated healthcare software package.

Pre-tax profits were also boosted by a £329,000 (£221,000) exceptional profit on the sale of surplus property.

The group had net cash of £24.5m at the end of June, up £8.5m from year-end, despite capital expenditure of £4.1m.

UK performance helps Brammer climb to £6.5m

By Peter Pearse

Pre-tax profits at Brammer, the industrial services group, climbed 55 per cent from £4.23m to £6.54m in the six months to June 30.

"We've had three years of tough grind," said Mr Robert Ffoulkes-Jones, chief executive, "and our market shrank by 25 per cent. Now we are seeing the investment we've made paying off."

The UK performance of both divisions – distribution and rentals – was singled out, though progress had also been made in France.

Group turnover grew to £74.1m, against £71.2m which included £5.05m from discontinued activities. Earnings per share topped 9p for the first time since the first half of 1990, advancing 41 per cent to 9.7p (6.9p). However the interim dividend is held at 4.5p. The shares closed up 5p at 365p.

The group was ungeared at the period-end and had enjoyed good cashflow. Mr Ffoulkes-Jones said there was "not a lot available in our specific area" on the acquisitions front, but Brammer was looking in Germany, Spain and the Benelux countries.

In the distribution division, operating profits grew 27 per cent to £5.25m on turnover up 11 per cent at £60.2m. Within that profits at BSL, the power transmission distribution business, rose 28 per cent. Sales at reorganised Roulement Service increased 18 per cent in the French market, which grew by only 5 per cent.

On the rental side profits more than doubled to £1.75m (£837,000).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adscene	fin	4	-	3.2	6.5	5
Albany Inv Trust	int	1.35	Nov 4	1.25	-	4.05
Amec	int	1.5	Jan 3	1.5	-	3
Avonside	int	2.1	Nov 29	1.9		4.2
Baird (William)	int	3.55	Jan 6	3.55	-	8.9
BBA	int	1.5	Nov 15	2.25	-	7.5
Bluebird Toys	int	2	Nov 18	nil	-	4☆
Brammer	int	4.5†	Nov 15	4.5	-	13
Brent	int	1.6	-	1.6	-	4
Frost	int	2.7†	Jan 4	2.2	-	4.9
Grafton	int	3.5♣	Nov 1	3	-	7.25
Hillsdown	int	2.2	Jan 3	2.2	-	8.8
HNC	int	2.5	Oct 21	2	-	4.5
Intrum Justitia	int	1.1♠	-	1.1	-	3.3
NFC	int	1.6♥	Jan 9	1.6	-	6.706
Northern Indust'	fin	16	Jan 18	16	25	25
Nurdin & Peacock	int	2.16	-	2.06	-	6.5
Ocean Group	int	4.71	Nov 1	4.71	-	14.33
Portals	int	5.75	Dec 30	5.25	-	16
Radius§	int	0.35	Oct 29	0.45	-	0.45
RTZ	int	9‡	Dec 12	13.5	-	20.5
Russell (Alex)	int	1	Nov 30	0.5	-	1.75
Severfld-Reeve§	int	0.5	Oct 28	0.25	-	0.5
Sumit	int	0.7	Oct 28	0.7	-	3
Wellington	int	1.2	Oct 31	-	-	-
Wills	fin	0.385†	Nov 1	0.3	0.5	0.4
Wilson Connolly	int	1.36	Oct 21	1.27	-	4.13

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Adjusted for sub-division. ‡Foreign income dividend. ♠Gross. ♥Third interim making 4.5p to date. ♣Irish currency.

Recovery trend as debt position shows significant improvement

Simon reduces loss to £12.4m

By Andrew Baxter

Simon Engineering yesterday reported a sharply reduced first-half loss of £12.4m and a much-improved debt position, but as expected is paying no interim dividend.

The pre-tax loss compares with a deficit of £52.6m in the first half of 1993 and £160.3m for the full year. The interim loss per share was reduced from 51.8p to 12p.

Mr Michael Davies, chairman, said the result reflected the progress made towards restoring Simon as a "sound and profitable" engineering group.

The group is being restructured to concentrate on three core businesses: the access division, the storage division and Simon-Carves, the process engineering contractor.

Mr Davies said the new management team, headed by chief executive Mr Maurice Dixson, had vigorously maintained its focus on debt and trading. "We have reiterated the message today that we are sorting out the company in 1994 and will deliver the results in 1995," said Mr Dixson.

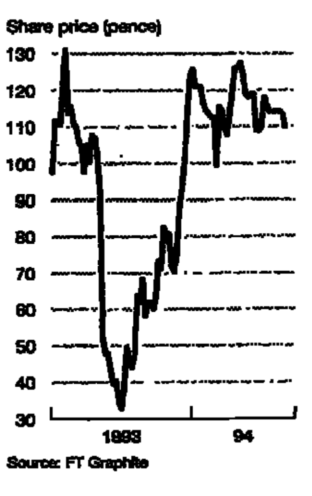
Proceeds from May's £52.5m rights issue, along with receipts from business and property divestments, had cut borrowings from £117.8m at the end of 1993 to £72.1m on June 30, reducing gearing from 264 per cent to 85 per cent.

Asset disposals since last September had raised £36m and more property disposals were expected to be completed in the second half, further reducing borrowings.

Stringent financial controls were imposed last year but it was taking longer than expected to reduce working capital, especially at Simon Access, where some US business taken on at low margins was being unwound.

The group's first-half turnover dropped from £190.8m to £154m and the trading loss of £8.4m was down sharply from the previous £23.4m loss. Continuing businesses accounted for only £655,000 of the loss, apart from £3.75m of exceptional restructuring costs.

Simon Engineering



Source: FT Graphite

The largest division, Simon Access, had a trading loss of £3.66m (£1.59m profit), as turnover slipped to £71.6m (£79.2m). There were trading losses in the UK but the recent reorganisation was expected to result in a much reduced cost base.

Simon-Carves lifted turnover from £21.6m to £23.3m and cut its trading loss from £546,000 to £193,000. Simon Storage, in contrast, raised trading profits from £4.35m to £4.58m on turnover of £22.8m (£20.6m).

Mr Davies said the operating profits achieved in the past three months provided a clear indication that the trading performance had turned the corner. All the businesses were reporting increased inquiries and order books were looking better.

Mr Dixson said there was no reason to change the view expressed at the time of the rights issue that dividends would resume next year.

Shop sales help Frost rise 34%

By Caroline Southey

Sales from branded corner shops were behind a 46 per cent rise in interim pre-tax profits at Frost Group, the UK's largest independent petrol retailer.

In the six months to June 30, pre-tax profits reached £4.88m (£3.34m) on turnover up 32 per cent to £108.2m (£81.8m). Earnings per share amounted to 5.2p (4.2p) and a dividend of 2.7p (2.2p) will be paid.

Mr James Frost, chairman, said the profits rise reflected "not only the acquisition programme of the last two to three years, but also the advances made in our forecourt shops."

Since the beginning of 1994 Frost, which trades as Save Service Stations, has purchased or exchanged contracts on 37 new sites, bringing the total to 213 petrol filling stations or sites. Further acquisitions were likely, he said.

The chairman said sales in the forecourt shops had been buoyant through the recession and overall margins had been helped by the Smilies branded corner shops introduced 18 months ago. "We are replacing the traditional corner shop with a service to the local community," Mr John Murgatroyd, finance director, said.

Mr Frost said motor fuel sales looked "more positive than at any time over the past three years". The company's intention was to enter the motor fuel wholesaling market next year and it would target a small number of the 12,000 privately owned petrol filling stations in the UK to supply under the Save brand.

Mr Frost said sales on a site by site basis had been maintained despite a 2.3 per cent reduction in national motor fuel sales following the introduction of additives to improve engine efficiency.

Last October Frost made a 5-for-1 rights issue to raise £21.3m. At the interim stage it had net cash of £3m.

Ethical adviser backs Body Shop

By Neil Buckley

Eiris, the ethical investment research service which advises ethical investors, has given its backing to Body Shop, the natural cosmetics retailer that has come under attack over its "green" credentials.

In a report to clients, Eiris investigated claims made in an article by a US investigative journalist in the magazine Business Ethics last week, and concluded that Body Shop had been "unfairly criticised".

"A number of claims made in headlines have turned out to be untrue, or at least misleading," the report said. Body Shop's animal testing policy, while differing from that of some "green" groups, was defensible, and that its charitable giving compared more favourably with other companies than the article suggested.

It added that the company's environmental reporting record was "among the best in the UK" although it could be improved. Body Shop had had problems with franchisees but was "much the same as other people". Eiris admitted the scale of Body Shop's Trade Not Aid policy was small but it was at least a practical step.

"Some criticisms remain, and there are ways in which Body Shop can improve (as can every company)," the report said. "The practical question for both ethical investors and consumers remains: 'If not Body Shop, then who?'"

Home Counties leaps to £976,000

Pre-tax profits at Home Counties Newspaper Holdings leapt from £155,000 to £976,000 in the six months to June 30. Turnover was up slightly from £12.1m to £13.2m.

The result was helped by an exceptional gain from the sale of the share in Mid Anglia Radio to GWR for £316,000.

The interim dividend is 2.5p (2p). Earnings per share were 6.54p (1.24p).

Overseas sales help Bluebird to £7.2m

By David Blackwell

Bluebird Toys, maker of Polly Pocket and Mighty Max, more than trebled interim pre-tax profits from £1.99m to £7.19m and declared its first interim dividend.

Turnover for the six months to June 30 increased from £23.7m to £40.7m. Overseas sales soared 84 per cent to £28.7m and UK sales improved by 49 per cent to £12m.

Mr Torquil Norman, chairman, said he was particularly pleased with the UK performance, as the overall market had been flat.

"We have also improved our seasonality, which is magic in the toy industry," he said. The volume of business in the first half rose by five percentage points to 40 per cent, helped by the increasing popularity of the group's ranges overseas. It now sells to 70 countries.

The Polly Pocket range of miniature dolls, now in its fifth year, accounted for 57 per cent of turnover. The company, which graduated to the main market in July, expects to establish the range as a permanent brand. It is already listed as a core brand by Mattel, the US toy group, which is Bluebird's biggest overseas distributor.

Sales of Mighty Max, a pocket toy based on a mild horror theme, were 40 per cent ahead in the UK in its second year.

This week the BBC started to show a TV series, already broadcast in the US, based on the character.

Mr Norman said the company was bringing out a new range next year, and had several other ranges in the long-term pipeline. "We have a strong balance sheet, a lot of cash in the bank and an enhanced development programme."

Net interest payable fell from £591,000 to £198,000, and the company expects to be interest positive in the second half.

Fully diluted earnings per share were 10.3p (3.7p), and aninterim dividend of 2p will be paid.

Lazard launches brewery trust

By David Blackwell

Beer drinkers will have the chance to recoup some of their costs when Lazard Investors launch a new investment trust later this month.

Lazard Brewers Investment Trust will deal principally in quoted UK regional brewers, such as Greene King and Young, and pub companies and other companies in the drinks trade.

Mr Martin Hawks, analyst with Greig Middleton, broker to the issue, said yesterday that the outlook for regional brewers was better than it had been for some time.

The sector was characterised by sound balance sheets, strong cashflows and good dividend cover.

The trust will be managed by Mr Billy Whitbread, for the past five years investment manager of Whitbread Investment.

The trust, to be launched on September 29 with subscriptions closing in the third week of October, will have an initial yield of 3 per cent and an initial 10-year life.

Nurdin puts expansion plans on back burner

By Peggy Hollinger

Nurdin & Peacock, the cash and carry group, has put plans to expand its warehouse clubs on hold until the government's approach to out of town developments becomes clearer.

The group made the announcement as it revealed a sharp drop in interim pre-tax profits from £7.07m to £2.08m, after exceptional charges of £5.2m. Sales were 1 per cent ahead at £685m for the 26 weeks to July 1.

The company, which has three Cargo Clubs either trading or under construction, said it was unlikely to open any clubs next year because the government had decided to review planning permission granted to its Stockport site, near Manchester. N&P did not expect a resolution of the review before the spring.

The warehouse club concept is a key part of N&P's plan to reduce its dependence on the hard-pressed independent retailing sector. However, the strategy could be hit by the government's campaign to curb the explosion of out of town developments.

Mr Nigel Hall, Nurdin's finance director, said it was "very difficult to say whether we will win the review." It was not clear why the DoE had chosen Stockport over N&P's planned club in Bristol, he said.

Nigel Hall: despite setbacks, warehouse clubs proving successful

Nurdin's warehouse concept has run into further controversy with the group last week referring Sony to the European Union over restricted supplies of electrical goods to its clubs.

Apart from such issues, Mr Hall said the warehouse clubs were proving successful. The first club at Croydon had 40,000 members and both visits and spending per customer had increased. Development of the Cargo Clubs cost N&P £2.2m in exceptional charges in the first half, and was expected to incur further charges of £4m.

The conversion of N&P's traditional cash and carry businesses into Trade and Business Warehouses serving caterers, businesses and independent retailers was now complete, and had resulted in almost £3m in exceptional charges. Marketing the concept would cost a further £1.5m in the second half.

The M6 cash and carry chain acquired in May contributed £26m in sales, but incurred losses. N&P expected it to make further losses this year, including costs of £1m, but contribute substantially to profits next year.

The dividend is increased to 2.16p (2.06p). Earnings fell by 54 per cent to 1.77p.

Analysts said the underlying results, which showed a marginal increase in profits, were good considering the continuing pressures on N&P's main customers. Full-year forecasts were for a sharp drop in profits from £32m to between £22m and £25m, after exceptionals.

NEWS DIGEST

Norbain buys and raising £10m

Norbain, the USM-quoted security group, yesterday announced the £7.5m purchase of three closed circuit television companies and also a placing and open offer to raise £10.5m.

The cost of the three companies – CCTV Warehouse, CCTV Centre and CCTV Rental Services – will be met by £6.5m in cash, while a further £1m will be raised by the issue of 243,902 convertible redeemable ordinary shares.

The balance of cash raised will be used to reduce group bank borrowings.

The open offer is of 2.69m new ordinary 5p shares at 410p per share on an 8 for 23 basis. Following the offer and placing, Norbain's share premium account will be reduced by £11m, which will be transferred to a special capital reserve against which goodwill arising on the acquisition may be written off.

Pacific Assets

Pacific Assets Trust reported net asset value per share of 534.1p at July 31. The figure compared with 370.8p a year earlier, but 599.4p at January 31 1994. The company said that during August much of the decline had been recouped.

Available revenue in the six months under review rose to £435,000 (£338,000). Earnings per share came to 2.13p (1.72p).

Wills Group

Wills Group, the engineering products group, reported pre-tax profits almost doubled from £1.56m to £2.96m for the year to July 2.

The advance was achieved on turnover up from £19.3m to £31.5m – including £6.33m from *acquisitions* – and after an increase in the interest charge from £45,000 to £166,000.

The *directors* said *that* as a result of acquisitions made in the last few months of the *financial* year, *the accounts* did not reflect the current size of the group, and turnover for the current year was expected to be considerably higher.

Earnings came out at 1.85p (1.6p), or 1.79p (1.28p) fully diluted. A proposed final dividend of 0.385p (0.3p) raises the total for the year to 0.5p (0.4p).

Alexander Russell

Alexander Russell, the Glasgow-based quarrying, concrete and coal company, reported pre-tax profits more than doubled from £632,000 to £1.45m for the six months to June 30.

The advance was achieved on turnover up from £17.6m to £18.9m and after a reduced interest charge of £458,000 (£761,000). Earnings came out at 3.34p (0.75p) and the interim dividend is doubled to 1p.

Cakebread Robey

Cakebread Robey & Co, the Enfield-based building materials concern, lifted pre-tax profits from £106,800 to £425,000 in the first half of 1994, helped by a £213,000 surplus this time on the sale of properties.

Following the closure of some branches, turnover edged up to £8.96m (£8.87m). Interest was unchanged at £49,000 and earnings per share came to 7.1p (1.8p).

Sumit

Sumit achieved a 36 per cent increase in undiluted net asset value from 169p to 229p in the six months to June 30. Over the same period, the diluted figure grew by 29 per cent from 154p to 199p.

The company said the increase was attributable largely to the successful flotations of Partco and Nottingham Group.

Net earnings for the first half were similar at £241,000 (£243,000) and earnings per share were unchanged at 3.4p. The interim dividend has been maintained at 0.7p.

Northern Industrial

Northern Industrial Improvement Trust total income fell from £493,896 to £469,345 in the year to March 31.

Profit after all charges, including tax, came to £312,387 (£336,338). A final dividend of 16p is proposed, making an unchanged total of 25p on earnings of 25.6p (27.55p).

Berry Starquest

Berry Starquest, the smaller companies investment trust, reported net asset value per share of 226.4p at 31 July, a fall of 5.5 per cent from 239.6p six months earlier. Net revenue for the half year to end-July was up from £48,000 to £59,000. Earnings per share were 1.1p (0.9p).

Adscene

A strong performance from its publishing side helped Adscene Group to lift pre-tax profits by 45 per cent from £2.1m to £3.05m for the year ended May 31. Turnover of the group, which also has printing interests, rose 13 per cent to £15.8m.

Earnings per share rose 37 per cent from 10.1p to 13.8p and the recommended final dividend of 4p (3.2p) makes a total pay-out of 6.5p (5p).

Grafton

Pre-tax profits more than doubled from I£1.22m to I£2.84m (£2.81m) at Grafton Group, the Dublin-based building materials company, for the six months to June 30. Turnover was up 26 per cent from I£48.6m to I£61.3m.

The interim dividend rises to 3.5p (3p). Earnings per share were lifted to 13.7p (5.6p).

Wellington

Wellington Holdings, the polymer products manufacturer floated last March, saw pre-tax profits for the six months to 30 June rise 47 per cent, from £1.26m to £1.84m. Turnover rose 9.5 per cent to £23.3m.

The maiden interim dividend is 1.2p. Earnings per share were 6.18p (3.87p), although Mr Brian Kent, chairman, said the figure was not directly comparable with last year's owing to the increase in the number of shares since flotation. On a pro forma basis earnings per share *rose 27 per cent to 6.34p.*

Hillsdown beats tough markets with £65.6m

By David Blackwell

Hillsdown Holdings lifted pre-tax profits by 5 per cent from £62.3m to £65.6m in the first half of 1994, on the back of an increase in sales from continuing operations from £1.94bn to £2.03bn.

Sir John Nott, chairman, said the group's restructuring had lopped £1bn off turnover in the past two years, with very little effect on profits.

"We have had a reasonable six months given the very difficult food markets in the UK and in Canada."

Mr David Newton, chief executive, said the results marked the third half-year in a row when the results were broadly in line with expectations.

"We are not there yet – but we are moving in the right direction."

Total turnover, including £9.7m from discontinued operations, was 2.04bn, down from £2.27bn previously, when discontinued operations accounted for £331.8m.

Operating margins improved from 3.6 per cent to 4 per cent.

Sir John said the group was assuming no food price inflation, and was looking for further efficiency to improve margins further.

It was also seeking bolt-on acquisitions similar to this week's purchase of Materne-Fruibourg, the French jam maker, from Groupe Danone. The operation would give Hillsdown a manufacturing and a distribution base in France.

Operating profits in four of the six divisions improved. The exceptions were the ambient and chilled foods division, where profits fell by £1m to £15.3m on sales of £307.6m, and the meat and produce division, where profits declined from £8.3m to £7.8m on sales of £363.4m.

The former was hit by a baked bean price war, which more than offset good results from the continental chilled salad operation.

Mr Newton said profits from canning had fallen by 60 per cent, mainly because of a 50 per cent rise in the price of navy beans. The group, which supplies supermarkets with own-label baked beans, is phasing out one of its canneries.

The beverages and biscuits division raised profits by £2m to £5.9m on sales of £137.5m, helped by increased spending on brands. Sales of Typhoo tea were 26 per cent ahead.

Profits in the poultry division improved from £12.3m to £14.2m on sales of £245m, as its switch from frozen to fresh chicken production started to reap benefits.

In the non-food division, where profits rose to £14.7m (£13.7m) on sales of £209.3m, Fairview New Homes improved margins.

Net interest payable fell from £18.5m to £15.6m. Earnings per share rose to 5.5p (5.1p).

The interim dividend is unchanged at 2.2p. Sir John said he hoped for "a more positive dividend policy at the end of the year," given the group's performance and cash generation.

See Lex

Tough conditions in US behind decline at Ocean

By Paul Taylor

Ocean Group, the freight, environmental and marine services group, blamed among other problems the difficult trading conditions in North America for its international airfreight and logistics business for a decline in first half profits.

The group, which also announced yesterday that Mr John Allan, a marketing executive and main board director of BET, will become chief executive at the end of this month, said pre-tax profits slipped by 5.3 per cent to £19.7m in the six months to June 30 from £20.8m in the 1993 first half. Turnover grew by 12 per cent to £497m (£444m).

Earnings dipped from 9.4p to 9p per share, but the interim dividend is held at 4.71p.

The shares closed 2p lower at 268p after Mr Peter Marshall, chairman, warned that the outlook for the year "remains uncertain with our businesses operating in highly competitive markets."

Operating profits fell to £22.3m (£24.4m) with MSAS, the airfreight business, reporting a decline in profits to £1.9m (£2.6m) despite higher aircraft revenues.

Mr Marshall said that airlines had taken the opportunity of a firmer market to increase rates, which tended to depress the profitability of MSAS in the short term.

The main shortfall was in North America, where customs brokerage performed poorly, but the group said the benefits of a restructuring in April, aimed at saving £2m in a full year, were already becoming apparent.

McGregor Cory, the group's contract distribution business, also saw profits fall although the UK operations performed well.

Cory Environmental lifted its profits contribution by 11 per cent to £2.1m, although the market for industrial waste treatment remained unfavourable. NET, the US environmental testing business, incurred a £1.2m loss against a £200,000 profit in the 1993 first half.

Once again the results were underpinned by an improved performance in the Marine operations, which reported profits of £16.2m (£14.6m).

OIL, the group's offshore supply business, had a good first half and pursued opportunities in the important south-east Asia region. however, Mr Marshall noted that political and economic uncertainties remained in West Africa.

● **COMMENT**

Mr Allan faces a tough challenge re-shaping Ocean's rag-bag of businesses and boosting the group's financial performance, which continues to disappoint. In the meantime the company is leaning heavily on its marine businesses, which include the uncertain West African offshore supply operations. With uninspiring pre-tax profits of about £43.5m and earnings of about 20p a share expected this year, the shares continue to be supported by their 5½ per cent yield.

Brent International at £4m following restructure

By Peter Pearse

Mr Keith Hutchings, promoted in March to chief executive of Brent International, said that over the past year the speciality chemicals group's businesses had been simplified and refocused into two divisions: printing services and industrial. Management of most operating units had now been replaced or restructured.

At the same time the group announced a 32 per cent rise in profits before tax and exceptionals to £4.01m for the first half of 1994. After exceptionals of £2.1m, last time's headline pre-tax figure was £931,000. The interim dividend remains 1.6p.

Mr Hutchings said the executives on the board were now settled following the resignation of Mr Steve Cuthbert as chief executive in August 1993.

Mr Cuthbert's resignation was followed by a decline in profits to £7.14m (£11.5m) for 1993, accompanied by a cut in the total dividend to 4p (7.4p). Since then Mr Hutchings moved up from finance director, Mr Bill Jessup returned to fill that post, and Mr Sandy Dobbie was hired as chief operating officer this June.

In the half, performance of the printing services – to be overseen by Mr Hutchings for the next 18 months – had been "encouraging" with sales up 16 per cent to £11.2m. UK sales of inks and coatings advanced 25 per cent. Divisional operating profits grew to £3.18m (£1.94m).

Profits on the industrial side fell to £1.98m, against £2.44m (which included a £1.15m contribution from discontinued operations) on turnover down at £30.8m (£35.5m). Mr Dobbie has specific responsibility for the division for the next 18 months. Europe, with the exception of the UK, where sales rose 18 per cent, and North America saw "less than adequate" demand. Mr Hutchings said the group was pursuing "niche areas where we have an edge".

Earnings per share were 3p (losses 0.5p).

Severfield-Reeve lifts market share

Severfield-Reeve, a specialist in structural steelwork and ancillary products, continued to increase market share in the six months to June 30 and this was reflected in a 45 per cent rise in pre-tax profits from £210,000 to £305,000.

Sales from continuing operations rose 40 per cent to £13m, but operating margins fell to 3.9 per cent (4.5 per cent).

The interim dividend has been doubled to 0.5p on earnings per share of 1.27p (1.14p).

Restructuring plans boost BBA shares

By Tim Burt

Shares in BBA Group rose 9p to 198p yesterday as the engineering and motor components group signalled the first signs of a change in fortunes following the start of its wide-ranging restructuring programme earlier this year.

Although pre-tax profits fell 54 per cent to £23.1m (£50.3m) in the six months to June 30, the group said operating margins had improved and cost-cutting should restore earnings growth.

Turnover declined to £711.1m, against £742m including £24.8m from discontinued activities, but operating profits before exceptional items rose from £45.3m to £47.4m.

Mr Roberto Quarta, chief executive, highlighted an improvement in operating margins from 6.1 per cent to 6.7 per cent following £18m of restructuring costs in the first half.

"This is a healthy turnaround, and I believe we can get to double digit margins by 1996," he said.

Margins were boosted by an £11m saving on payroll costs as the group cut the workforce by 7 per cent to 18,000.

Of the group's core businesses, which have been merged for reporting purposes into two divisions, the industrial sector, comprising textiles, US materials and specialist electrical equipment, reported increase profits of £30m (£25.1m) as demand rose in continental Europe and North America.

Transportation saw profits fall from £27.5m to £17.4m as a weak performance by Page Avjet, its aircraft maintenance arm, undermined improvements by the automotive businesses.

The figures were also dented by £13.1m of exceptional litigation costs relating to the settlement of a US lawsuit and £2m of losses on disposals.

Earnings per share fell from 6.8p to 1.5p, although they showed an increase to 5.2p (3.9p) before exceptional items.

The interim dividend, as forecast in March, is cut from 2.25p to 1.5p. The group said the full year figure would be not less than 4.5p.

● **COMMENT**

BBA has bitten the bullet and these figures were ahead of the gloomy forecasts. But with disposals, acquisitions, exceptionals and £72.1m of provisions all affecting this year's profits, investors will have to make a leap of faith in Mr Quarta if they expect short-term gains from the company. Although full year profits should exceed £75m, the hefty forward multiple of 19.4 makes the shares too pricey given the on-going restructuring and redundancy costs. They look a more attractive prospect if profits reach £100m next year, on a multiple of 15.8. Even then, however, they would be no better value than blue chip rivals such as GKN and T&N.

Medicine man seeks cure for indigestion

BBA is undergoing a thorough restructuring. Tim Burt reports on progress to date

Mr Roberto Quarta, the Italian-American charged with resuscitating BBA Group, regards the nickname "Bob-the-Knife" as too harsh for the surgery he is performing on the engineering and motor components group.

He admits, however, that the group has been forced to swallow some horrid medicine in the eight months since his arrival from BTR, where he was chief executive of the automotive, electronics and building divisions.

More than 2,000 jobs have gone, 1,400 of them through redundancy, and some £18m has been spent on restructuring.

"It's tough – this is not aspirin I'm dishing out. It's pretty strong stuff and in the right dosage it should bring the patient back to life."

Although BBA discounts talk of a near-death experience, Mr Vanni Treves, the chairman, acknowledges that its condition deteriorated rapidly last year.

He blames the problems, which forced the group to make restructuring provisions of £72.1m in March, on the illness last year of Mr John White, Quarta's predecessor, and the management time taken up in fighting a $300m (£194m) lawsuit over the 1989 purchase of IGH, its US industrial subsidiary.

"It was a severe distraction and we lost our way when John White had to stand down," he says.

City analysts, and to an extent Mr Quarta as well, believe the problems went deeper.

"They've spent more than £350m on acquisitions in the past five years, they're just too diverse," says one analyst. Another describes Mr White as an acquisition junkie who always expected the next deal to deliver the volume sales to revive the group.

While more circumspect, Mr Quarta admits he was surprised to see BBA making acquisitions "before its new subsidiaries were bedded in".

Roberto Quarta: margins more important than sales volume

He has put a brake on that activity and instead identified some 12 subsidiaries for disposal with combined sales of more than £200m. Of those, Holden Hydroman, Perplas and Railko have already been sold.

"But we don't have to sell cheap. The balance sheet is in fairly good shape and we will wait for the right opportunities," he adds.

The dilemma for BBA, however, is whether continued redundancies, disposals and cost-cutting will leave the group with enough muscle to establish a profitable foothold in its remaining core areas.

Analysts are sceptical. They warn that some businesses, such as Signature Flight Support, the aviation refuelling and servicing group, may not achieve Mr Quarta's target of 10 per cent margins by 1996.

"They are not large enough in aviation to cut costs and then drive up prices to get those margins, and it's going to be very difficult in the automotive businesses too," according to one analyst.

Mr Quarta, however, is undeterred. He believes an ongoing management review, which has seen the departure of three divisional executives, has helped spread a new ideology.

Discounting the reduced sales of £711m, down from £742m, announced in yesterday's interim figures, he says: "I am changing the culture. Unlike the previous management, I don't believe volume sales are the answer to our prayers. Margins are more important."

In pursuit of those margins, the group expects to use another £18m of its provisions to make further job cuts in the second half and refocus the group's three core sectors: automotive, industrial and transportation. That strategy appears to have paid off in the six months to June 30 with a 15 per cent increase in pre-tax profits before exceptional items to £38.2m.

The challenge for Mr Quarta is to ensure that BBA emerges fit enough to compete in world markets.

Acknowledging the size of the problem, he admits: "Cutting is a difficult skill. If you're not careful you can end up with a business which can't survive. I don't think that will happen here.

"We can do great things, but first we must get our house in order."

Wellcome anti-migraine drug threat for Glaxo

By Tim Burt

Wellcome, the UK drugs group, has thrown down a challenge to its rival, Glaxo, by reporting successful tests of a new anti-migraine drug.

The development of the drug – codenamed 311C-90 – could threaten the market dominance of Imigran, one of Glaxo's fastest-growing products which had sales of £116m last year.

Although Wellcome is not expected to seek regulatory approval for the new drug for at least two years, it said it had the potential for "previously unachieved levels of safety and efficacy".

City analysts said the market for such a drug was worth at least $1bn (£600m) and could, in time, exceed the market for anti-asthma treatments – currently worth some $4bn.

"Glaxo should be concerned about this development. It is the first real threat to Imigran," said one analyst.

The challenge coincided with news that Glaxo had alerted US physicians about possible drug-associated deaths linked to Imitrex, the name used for Imigran in North America.

The manufacturer, however, said the vast majority of Imitrex users had not suffered any side effects, and the few fatalities were linked to exceptional circumstances where the patients been given the drug despite a history of cardiovascular diseases and other risk factors such as asthma.

Wellcome, meanwhile, said its drug had shown no effects on blood pressure or cardiovascular problems during clinical trials.

Those trials showed that 62 per cent of patients suffering migraine found a "striking reduction" in pain within two hours.

Glaxo said its tablet form of Imigran showed a 50 per cent success rate over the same period, although it showed an 80 per cent improvement in its injected form.

Analysts predict sales of Imigran could exceed $480m in the 12 months to July this year, even though the drug has not yet become widely available in tablet form.

Wellcome shares, which fell 14p to 685p earlier this amid concern at possible sedative side-effects of the drug, closed up 1p at 686p.

Glaxo, which is expected to report full year profits of between £1.88bn and £1.9bn today, recovered to 622p, after closing down 13½p at 620p on Tuesday on news of Wellcome's drug development.

British Biotech breakthrough

British Biotechnology, one the UK's largest biotechnology companies, yesterday claimed it had made a breakthrough in developing a drug to treat acute pancreatitis, a condition with no effective cure at present, writes Tim Burt.

Shares in the group rose 6p to 461p after the group said preliminary tests showed the drug – lexipafant – was an effective remedy and, if fully developed, could exploit a market worth an estimated £300m a year.

"Given the high margins in this business, it could turn the company round," said Mr James Noble, finance director.

The group is about to embark on Phase Three clinical trials of the drug and expects to seek regulatory approval to market it before the end of 1996. It is also on course in developing a new anti-cancer drug – Batimastat – which could be the world's first oral treatment for cancer sufferers

● Shares in Anagen climbed 17p to 65p yesterday after the biotechnology company received clearance from the US Food and Drug administration to market Auraflex, its automated immunoassay system.

The system can be used to measure the presence of infectious diseases, monitor cancers and make fertility assessments.

Hilton and Ewart combine to build 5-star Belfast hotel

By Nigel Clark

The Northern Ireland economy was given a boost yesterday with the announcement of a £17m development to build a Hilton Hotel in Belfast.

Hilton International, the hotel subsidiary of Ladbroke Group, has set up a joint venture with Ewart, the Belfast-based property developer, to develop the hotel.

Mr Paul McWilliams, chairman of Ewart, said they had been in talks on the development for many months. "Everybody is now taking credit for having great foresight."

He added that following the IRA ceasefire the move was a tremendous boost for the province. "We are all hopeful that it will be the start of a better future."

The building of the hotel, the first five star in Northern Ireland, is being financed by £6m of share capital, 60 per cent from Hilton, with the balance provided by grants and short term loans.

The hotel is being built in the Ewart's Laganbank development, valued at about £100m. The company is about to announce a 450,000 sq ft office block which will almost complete the development.

Ewart's shares rose 1p to 70p.

Aiming to succeed where others have failed

MSU's CD systems look set to find their way into homes world-wide, reports Alan Cane

Growth from technology

The name on the box in the living room may be that of a well known Asian or American manufacturer, but the electronics inside will be British. That, at least, is the hope of MSU, a young UK company with big ambitions in the electronic home entertainment business.

Ostensibly, the odds are against it. Japanese companies dominate the world-wide consumer electronics industry while US companies are making the running in multimedia – essentially interactive television – which many believe is the future of home entertainment.

Yet MSU, working from a set of overcrowded offices in Milton Keynes, has secured contracts for its technology from big companies in Hong Kong, Singapore, Taiwan and the US. Confidentiality clauses prevent identification of the companies concerned, but if MSU has read the market right, it can expect to see its systems gracing homes from Taipei to Tallahassee.

It claims that its current contracts will ensure that more than 1m products with MSU technology will be sold next year. "Current negotiations with other companies means it could be more than 3m units," it says.

MSU's expertise lies in compact disc technology. Not just audio CD, now found in almost half all US households, but a range of variations which together define a new generation of CD players. These include video CD, Photo CD, CD plus G (video CD with text and graphics superimposed) and karaoke CD. (Do not be sniffy about karaoke CD; the market in east Asia for these systems is huge and lucrative.)

MSU designs the semiconductor chips, the electronic circuitry, and the software which make it possible to integrate all these functions into a single unit which plugs into the domestic television and hi-fi.

So the customer will be able hear music, watch a movie, sing along with his or her favourite band and look at holiday snaps using the same machine. The system has also, of course, great potential for business presentations.

Critically important from a marketing point of view, MSU's new generation CD machines will not cost appreciably more than existing audio CD machines.

Mr Keith Hall, MSU managing director, believes other sophisticated CD systems have failed because they have been seen as an expensive addition to existing equipment rather than a replacement or upgrade for it: "Millions of people will be planning to buy audio CD machines over the next few years, and many will be happy to pay an extra £100 for video CD."

Brendan Corr

Wyn Holloway (left) and Keith Hall: MSU is already developing the next generation of chips to stay ahead of the competition

The secret of MSU's technology is a set of specially designed semiconductor chips and software which take the heavily compressed information on the disc and expand it so it can be displayed on a television screen. MSU's chips are both powerful and cheaper than competitive products. It accepts it is not immune to competition, but it is already developing the next generation of chips to stay ahead.

MSU will not manufacture CD players, however. It lacks the capital. Its strategy is to provide a turnkey service for other equipment manufacturers, providing them with a custom-built electronics package ready to be incorporated in a casing of their own design. MSU calls this "generic CD".

MSU's chairman, Mr Wyn Holloway, is an old hand at undercutting the competition in electronics. Formerly a carpenter, he was named Welsh Businessman of the Year after setting up a company making low-cost computer game joysticks.

Computer games culture permeates MSU. Mr Hall played a big part in launching the Commodore Pet and Apple Macintosh pcs in the UK. Head of research and development is Mr Martin Brennan, formerly chief engineer with Sir Clive Sinclair's Sinclair Research. The software engineers are for the most part ex-games authors: "They are good at getting a lot of performance out of little computing power. We give them a lot of computing power," Mr Hall says.

Mr Holloway and Mr Hall formed the company in 1992. Its first contract, with the Chinese government, was for a low-cost games machine for the Chinese market. The following year the company contracted with TXC of Taiwan for the design of a games machine.

These deals provided the seed capital, some £2m, for current developments. Last year turnover was £2m and losses amounted to £500,000. This year, turnover will amount to £12m and the company should make £3m in pre-tax profits.

With development contracts in place, including a project for a large US computer maker, MSU does not see an immediate need for new investment, but Mr Hall admits that an extra £250,000 to £500,000 would enable the company to pursue extra lines of development.

Going public is an option, and MSU is in discussions with stockbrokers. Mr Holloway says no decision has been taken; but if the company decided to go for a quote, the formalities could be undertaken quickly.

Previous articles in this series appeared on August 10, 16, 19, 25 and September 7.

Nordic decline hits Intrum

By Peter Pearse

Continuing problems in Sweden and Finland led to a 6.6 per cent fall in profits at Intrum Justitia, Europe's largest debt collection group, in the six months to June 30.

Pre-tax profits slipped to £7.01m (£7.47m) while operating profits fell more sharply to £6.78m, including £300,000 from acquisitions, against £7.83m. Turnover edged ahead from £41.7m to £42.3m, including £1.39m from acquisitions.

Mr Bo Goranson, the chairman and holder of 30.9 per cent of the shares, admitted that the depth and length of the decline in the Nordic markets had been unforeseen.

He cautioned that the cost saving programme would not benefit the group immediately, but in years to come. "We have not reached the bottom yet."

Operating profits from the region fell from £6.2m to £3.9m.

By contrast, German-speaking countries (particularly Switzerland) saw growth to £1.4m (£100,000), while the UK, France and the Netherlands chipped in £3m (£2.6m).

In the UK, the group launched the £500,000 business-to-business collection operation and already has some 1,600 clients, 4¼ times more than the group had expected at this stage.

Over the past three years the group has spent £3m sponsoring a boat in the Whitbread Round The World Race, from which it accrued mentions in 10,000 articles, in 80 hours of radio and 90 of TV. It reckons equivalent advertising would have cost £28m.

It hopes to capitalise, especially in the UK and southern Europe, on expected EU legislation on late payment, which it expects will be compulsory in about two years' time.

Earnings declined to 4.5p (5.2p) per share, but the gross dividend is held at 1.1p.

Birmingham Midshires rises by 38% to £24.7m

By Alison Smith

Interim pre-tax profits at Birmingham Midshires Building Society advanced by 38 per cent to £24.7m following a rise in income and a fall in provisions for bad and doubtful debts.

While highlighting Birmingham Midshires' aim of acquiring other societies, Mr Mike Jackson, chief executive, admitted there was little immediate pressure on smaller societies to agree to be taken over.

Net interest income rose to £46m (£43.7m), despite a narrowing of interest margins, as the society competed aggressively for retail savings.

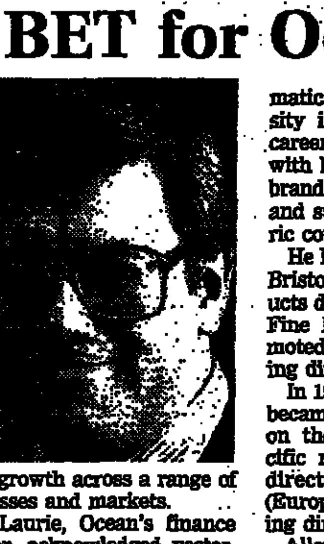
Sales of life insurance policies largely accounted for the rise in non-interest income to £12.8m (£10.3m).

Mr Jackson said expenses had risen to £30m (£27.2m), and that the cost/income ratio had also increased, to 51.5 per cent compared with 50.4 per cent in the first half of last year. The society was investing in a new headquarters and in upgrading its computer systems.

PEOPLE

Allan leaves BET for Ocean

John Allan, BET's group marketing director who has been on the board for the past seven years, has been appointed chief executive of Ocean Group, the freight, environmental and marine services company.



Allan, 46, whose appointment is seen as a significant coup for Ocean, will take up his new post at the end of this month. His move ends the uncertainty over the succession to Nicholas Barber, chief executive for eight years, who left Ocean last month.

Allan has wide experience of the international industrial service sector through more than 20 years at four blue-chip companies. He also has specific knowledge of some of Ocean's business areas; for example, at BET he has been chairman of Biffa, the wast management company and has built a solid track record for achieving profitable growth across a range of businesses and markets.

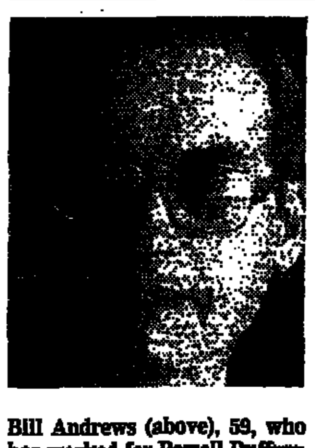
Ian Laurie, Ocean's finance director, acknowledged yesterday that although Ocean has successfully cut costs, its financial performance remained inadequate: "We need to focus on growth," he said.

After graduating in mathematics from Edinburgh University in 1970, Allan began his career as a marketing trainee with Lever Brothers, becoming brand manager for Lux soap and subsequently Comfort fabric conditioner.

He left Lever Brothers to join Bristol-Myers' consumer products division and in 1977 joined Fine Fare where he was promoted to marketing and buying director in 1983.

In 1985 Allan joined BET and became one of three directors on the main board with specific responsibilities as sector director of business services (Europe) and as group marketing director.

Allan is also a non-executive director of Connell, a member of the the CBI market strategy group and a council member of the Institute of Directors. He is also a former chairman of the Marketing Society of Great Britain.



Bill Andrews (above), 59, who has worked for Powell Duffryn for 30 years, is to step down as chief executive next July. As already announced, he will be succeeded by Barry Hartiss, 44, who joined in 1985.

■ Graham Kettle, 46, managing director of Initial Cleaning Services, has been appointed sector director for BET's business services (cleaning and guarding) Europe. Peter Wakeham, 47, currently managing director of BET management services and Initial healthcare services, has been appointed sector director for business services (healthcare, facilities management, personnel and catering) Europe. Both join the group management committee.

■ Ken Walder, former group general counsel at BP, has been appointed secretary and legal director to BRITISH AIRWAYS.

Finance moves

■ Kleinwort Benson Securities is clearly expecting the UK market to build up a head of steam and has moved quickly to bolster its highly-rated team of marketmakers, recruiting three of the UK market's senior traders.

Peter Angeli, 28, joins KB from Lehman Brothers and previously spent four years marketmaking at Smith New Court. Hugh McAlister, 33, and Wayne Grossman, 37, move over from UBS where both were directors.

McAlister spent five years at UBS, and was previously at the then County NatWest. Grossman has been one of UBS's front-line marketmakers since 1986.

KB had a couple of bad experiences in the market in the late 1980s but has gradually rebuilt its confidence in the securities trading arena.

It scored a big hit recently in recruiting top economist Ian Harwood from SG Warburg and says it is still keen to expand on all fronts in the securities business.

■ The turnover of top staff at Lazard Investors continued yesterday with the announcement of the departure of Jimmy West as chief executive.

West was said to have felt that he had completed his task; it is understood that the separation was mutually agreed and his next move has not been made public.

This move follows a succession of changes at Lazard Investors – which the parent company now hopes will cease. "It is a world in which there are a lot of changes," says David Verey, chairman of Lazard Brothers. "We've had more changes than frankly I would wish. But that's life."

Tom Cross Brown, a director in corporate finance, takes over from West. Says Verey: "We are an international house and Tom is very much an internationalist"; he was head of Lazard Brothers' Hong Kong office from 1982 to 1986.

■ David Godfrey, whose job as head of merchant banking at Swiss Bank Corporation disappeared during a sweeping reorganisation of SBC's corporate finance business, has not taken long to find another plum job.

Having left SBC at the end of June, he resurfaced at JP Morgan this week as a managing director with responsibility for global credit business in the Middle East, India, Africa, eastern Europe and the former Soviet Union.

Godfrey, 43, will focus on risk management and marketing of JP Morgan's emerging market credit business. He will report to Adam Wethered, JP Morgan's European head of global credit.

Non-executive directors

Lord Owen, co-chairman of the Steering Committee of the International Conference on the former Yugoslavia, has accepted his first non-executive directorship by joining the board of Coats Viyella, Britain's largest clothing and textiles company.

The former foreign secretary has told the Geneva-based committee he would take a pay cut, which would be off-set by the £15,000-£20,000 package he is expected to receive from Coats.

A Coats spokesman explains that Lord Owen had been an acquaintance of a number of directors for some time and that his "experience and understanding of international affairs will bring new and valuable insights to the company".

Although his role at the textiles group will be secondary to that in the former Yugoslavia, the company says he will attend the board meeting in London next month.

Lord Owen says that for some time he has wanted "to gain more experience of international business and now that the hectic pace of the negotiations has eased off, I have the time to pursue other activities".

■ Clinton Silver, recently retired deputy chairman of Marks & Spencer, at HILLSDOWN HOLDINGS.

■ Ronnie Gorlin has resigned from EUROTHERM.

and Robert McNeil, founder of Apollo Window Blinds, at HEWDEN STUART.

■ Doug Rogers, chairman of Newman Tonks, as chairman at BARCOM in succession to John Pinckard.

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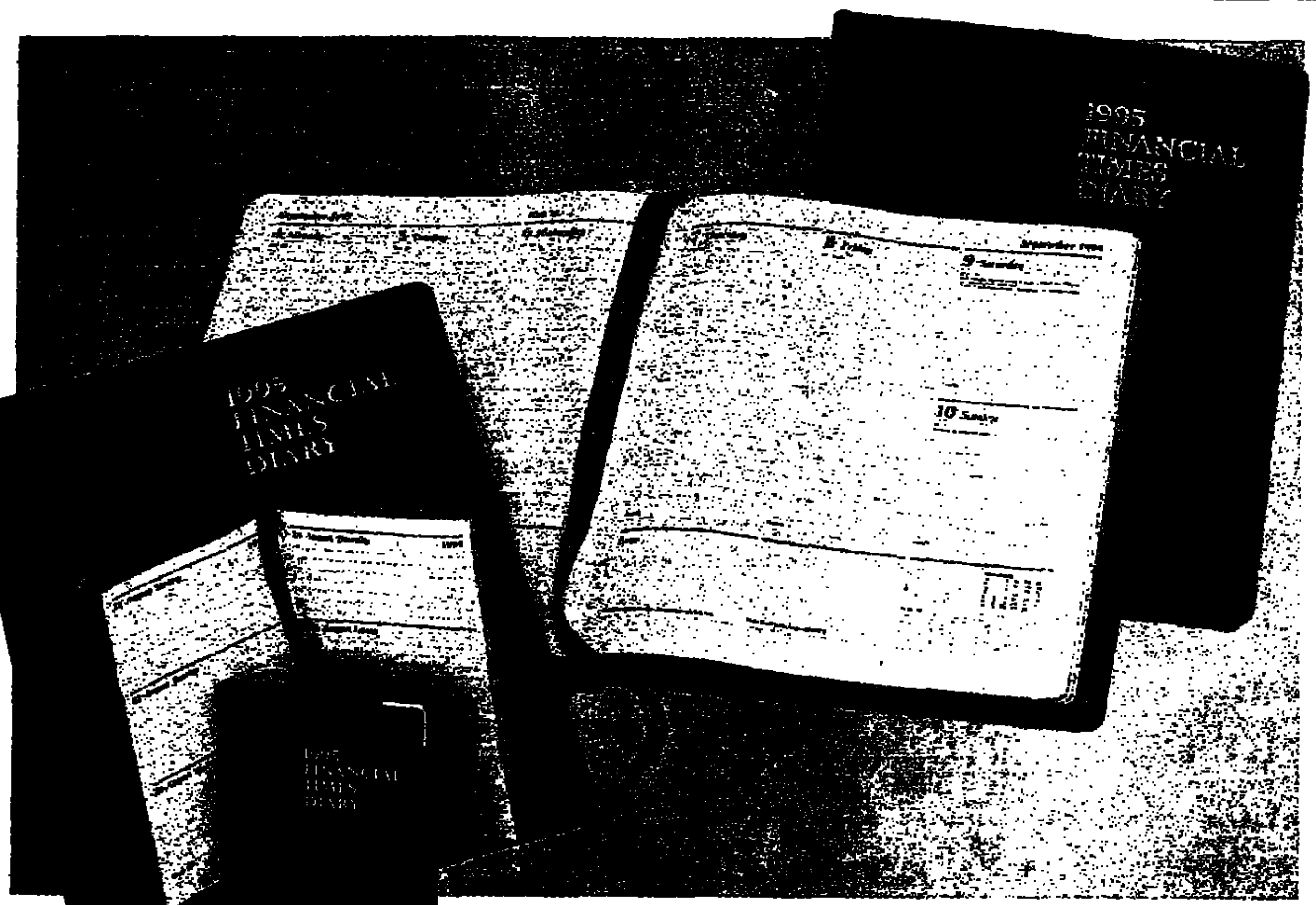

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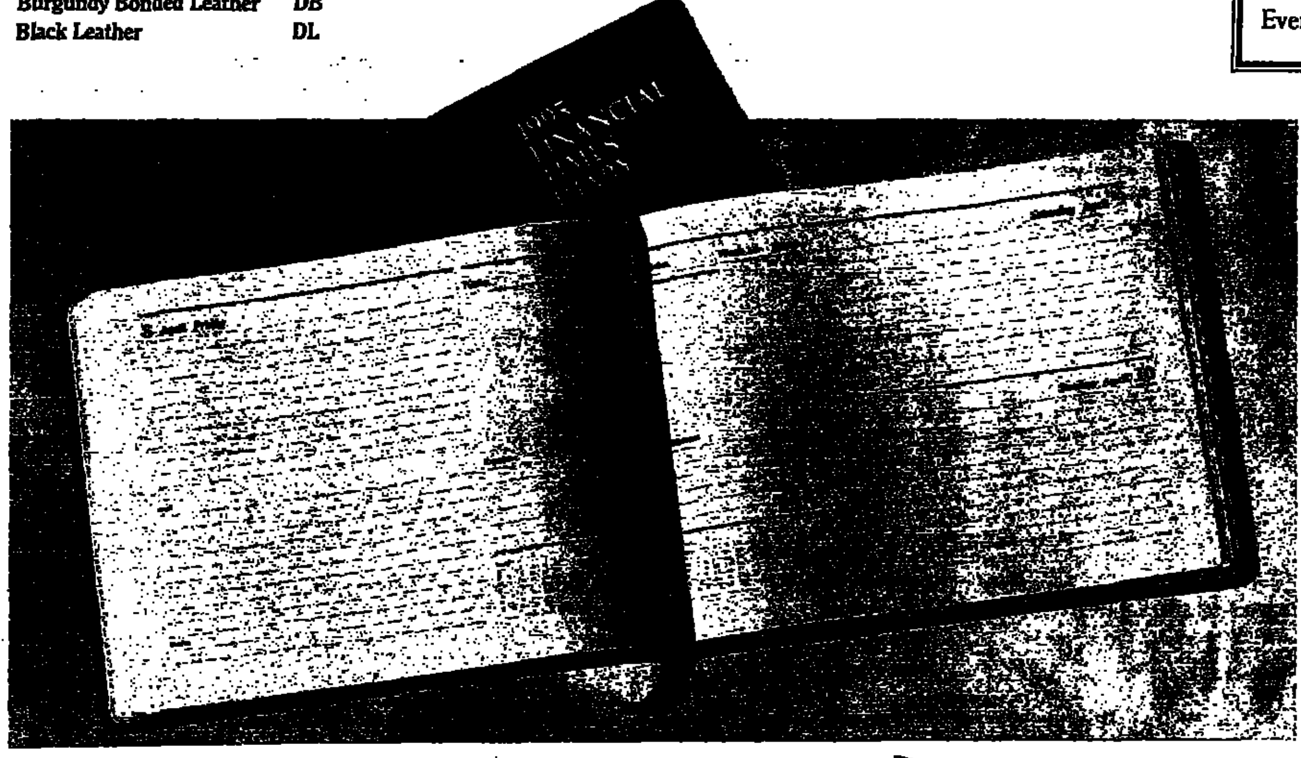

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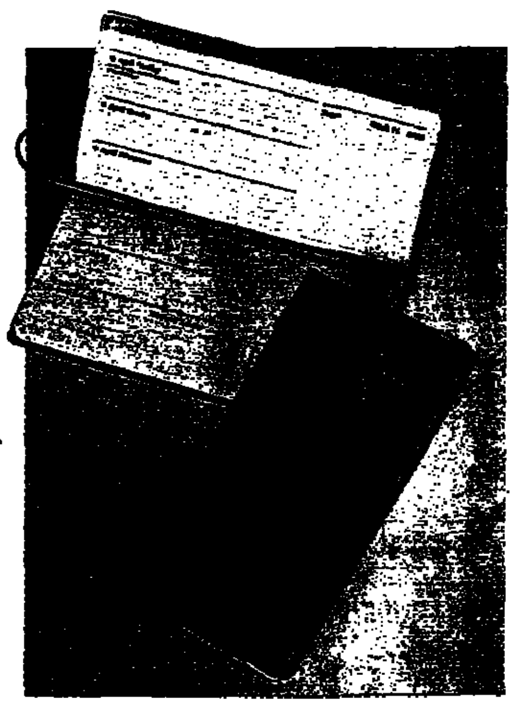

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COMMODITIES AND AGRICULTURE

British Gas rethinks $6bn investment in Kazakhstan

By John Lloyd in Moscow and Steve Levine in Tashkent

British Gas is reconsidering its planned multi-billion dollar investment in Kazakhstan, according to industry officials. They say the Alma Ata government is now openly negotiating with Russia for joint development of its biggest natural gas and oil fields.

British Gas says that negotiations are continuing. But executives have not hidden their frustration at the slow pace of talks over the past two years, since Kazakhstan awarded British Gas and Agip of Italy exclusive rights to negotiate a development agreement for the giant Karachaganak natural gas field.

The main stumbling block is Russia's refusal to grant clear pipeline rights to transport Karachaganak gas through its territory. The western partners had planned to ship an eventual 20bn cubic metres a year to western markets in a $6bn project.

Earlier this year, however, BG withdrew much of its heavy equipment from the site, and industry sources now say the company may withdraw altogether from the deal.

The latest development follows increasingly heavy economic intervention across Central Asia and the Caucases by different official Russian ministries and agencies. On one hand, Moscow officials have demanded percentage interests in large western energy deals in the southern ex-Soviet republics of Azerbaijan and Kazakhstan, arguing that Russian engineers discovered and developed the fields before the 1991 Soviet collapse.

At the same time, government agencies in Moscow have presented obstacles to the deals by nearly clamping shut Russia's pipeline system.

A week ago, Mr Viktor Chernomyrdin, the Russian prime minister, held talks with Kazakhstan prime minister Sergei Tereshchenko on joint development of both Karachaganak and Kazakhstan's huge Tengiz oilfield, according to Itar-Tass. Tengiz, to which the US oil company Chevron holds exclusive development rights, is the former Soviet Union's largest single oil project. But it too has become bogged down by talks about transit rights across Russia.

Some analysts believe that Russia is employing economic pressure to boost the advantages of its own energy industries and to maintain political sovereignty over former Soviet republics. "This is Russia asserting its dominance," said a senior western diplomat in Tashkent, the Uzbekistan capital. "Russia knows that if the oil starts flowing, Kazakhstan will get its political independence."

The Uralsk talks marked the first time that a senior Russian official openly discussed the desire for a piece of the two fields.

Kazakhstan, which holds 50 per cent joint venture partnerships in Tengiz and Karachaganak, has very little cash, and has been seeking capital.

The Kazakh government says it is now ready to auction off part of its interest in Tengiz, which has been included on a list of industrial enterprises to be sold in the near future.

US banana exporters file 301 petition

By James Harding in Washington

US banana exporters have filed for action under trade mechanism 301, the first petition of the Clinton administration. The application calls on the US trade representative, Mickey Kantor, to target EU trade agreements which limit Latin America's banana exports and discriminate against US multinationals.

Chiquita Brands International and Hawaii Banana Industry Association, US banana marketing companies, allege that EU banana import quotas are damaging their interests. The petition, filed last week, requests a formal investigation by the USTR into the Common EU banana policy, signed July 1993, and the Framework Agreement on Bananas, signed between the EU and Costa Rica, Colombia, Nicaragua and Venezuela, to be implemented on October 1.

Mr Mickey Kantor said yesterday that he expected the issue to come up in bilateral talks with the UK in the Quadrilateral meeting in Los Angeles this weekend.

Chiquita claims the Common EU import banana policy discriminates against US companies in favour of European multinationals in its allocation of licensing eligibility for banana imports. It also argues that the Framework Agreement gives the Latin American signatories preferential access to the European market.

Chiquita's petition comes under 301 procedure which allows US companies to request a USTR investigation if they believe trade practices are harming US interests. If the USTR proceeds and fails to find a solution, the US would consider sanctions. A USTR official said: "We have consistently opposed the way the EU is handling its banana regime."

EU harvest in line with reform

By Alison Maitland

This year's grain harvest in the European Union is expected to be around 160m tonnes, well below the trend prior to the 1992 reforms of the Common Agricultural Policy, according to Mr René Steichen, the EU agriculture commissioner.

The anticipated fall in the harvest, from about 164m tonnes last year and 185m tonnes in 1991, was a sign the MacSharry reforms were working well, Mr Steichen said.

"In the cereals sector, there's really no need to go further," he said.

Mr Steichen was responding to sceptics who argue that EU grain production will remain too high to satisfy the requirements of the Uruguay Round world trade agreement. This called for a 21 per cent cut in the volume of subsidised EU exports by the end of the decade.

The sceptics argue that the European Commission has underestimated the likely rise in cereal yields and overestimated EU cereal consumption. They say farmers are likely to face further cuts in price support over and above the 30 per cent reduction of the MacSharry reforms.

Mr Steichen said changes still needed to be made to unreformed sectors such as wine, fruit and vegetables and sugar. "If all that we conclude in the next months and years works well, I don't think there's a need to change the CAP," he said. But he added that further "minor adjustments" were possible.

Pointing to the success of the reforms to date, he said the EU cereal mountain had been reduced from 33m tonnes a year ago to 16m tonnes and intervention stocks of beef had fallen from 1.1m tonnes to less than 250,000 tonnes.

EU consumption of home-grown cereals for animal feed, which the Commission hoped would have risen by 11m tonnes a year by 1996 as a result of falling prices, already increased by 5m tonnes last year.

He added that further reforms had been agreed this year to contain beef production. The Commission fears production could increase again for cyclical reasons by the end of the decade. The number of special support payments available to farmers for male beef animals had been cut from 11.5m to 10.25m.

Mr Steichen said that, contrary to expectations, EU farmers had generally benefited from the reforms. Indeed he said one flaw in the reforms was that large cereal farmers received too much in compensation for "setting aside", or leaving fallow, 15 per cent of their land.

In the UK, public opinion has been offended by direct payments of hundreds of thousands of pounds to prosperous landowners in East Anglia and other intensively farmed arable regions.

Mr Steichen pointed out that the original MacSharry proposals limited the amount of set-aside land for which farmers received compensation to 7.5ha. This ceiling had been removed under pressure from Mr John Gummer, the then UK agriculture minister.

Russia's US grain imports likely to reach 7m tonnes

By John Lloyd in Moscow.

Russia will import some 7m tonnes of grain from the US this year in spite of earlier declarations of self sufficiency – a sign that the Russian harvest will be down on last year's modest levels.

Mr Michael Espy, the US agriculture secretary, said in Moscow yesterday that the US had cleared the obstacles to export of 400,000 tonnes of wheat to Russia, and in doing so had opened up the way to further purchases which Russia wished to make. The two sides had initially disagreed on who should bear the carriage costs of the wheat consignment – the has US agreed to do so.

Mr Victor Khlystun, Russia's agriculture minister, speaking after talks with Mr Espy, said that it would buy between 5m and 7m tonnes of assorted grains from the US – including corn, soya cakes and feed grains. Russia imported 1.8m tonnes of grain in the first six months of the year – in part because the US $700m concessional sales programme announced last year had been exhausted.

Mr Khlystun said that grain bought and supplied from the US to the Russian Far East would be cheaper to deliver to these regions than grain bought and delivered from the European areas of Russia – a sign of the spiralling transport costs which have depressed coal and other domestic sales.

The official news agency Tass, quoting figures from the Russian agriculture ministry, said that 47.2m tonnes of grain had been harvested so far – 20m tonnes down on the harvest at the same time last year. In a separate report, the Interfax agency said that the ministry forecast a total harvest of between 90m and 94m tonnes this year compared to last year's total of 99m tonnes.

Mr Espy said he had told Mr Khlystun that, "the US stands ready to fulfil whatever requests they have". He said he had discussed long- and short-term credit programmes for grain imports to Russia, and that an agreement on amounts should be reached.

Mr Khlystun told his US opposite number that Russia was interested in importing corn, wheat, soybean meal "and perhaps other commodities like pork and beef". The US agriculture department is forecasting Russian demand of than 8m tonnes of grain.

Deliveries to Russia last year ran at 11.1m tonnes, and 25.5m tonnes in 1992. Reports from the Russian countryside point to a worsening position in the state and collective farms, as credits to agriculture are cut and sowing and harvesting are reduced.

At the same time, however, demand is falling. The newspaper Moskovskii Komsomolets headlined its main report at the weekend "There is a harvest – but who will eat it?". It also said that "the statistics show that we are eating less – and not because we are worrying about our figures".

MARKET REPORT

Gold nears $390 mark

The GOLD price found it impossible to break through the $390 a troy ounce barrier on the London bullion market yesterday and the price ended at $389.70, up $2.05. Dealers said Swiss buying started the present rally and investment funds joined in yesterday on the New York Commodity Exchange. But producer selling capped the market at about $390.

"At this level the price looks very attractive to the producers, especially the Australians," said one dealer. "The New York guys seem to be interested in buying gold on dips to around $387.50, so its pretty well supported." he added.

ALUMINIUM was lively in after-hours trading in London. Speculative buying helped run prices above stubborn technical resistance at $1,570 a tonne. Last business was at $1,576.50, up $15.50, and traders suggested a move towards $1,600 was likely.

Compiled from Reuters

Coffee gains fail to take hold

By Deborah Hargreaves

Coffee prices surged ahead in early trading taking the market close to the high point reached two months ago after frost damaged the Brazilian crop. But the market lost all of its earlier gains in late trading.

The November futures contract at the London Commodity Exchange hit $4,060 a tonne in the first 10 minutes of trading, to slip back again until the opening of the New York market when it increased its price again.

But a wave of selling sent the contract back to $3,925 a tonne at the market's close – $28 a tonne lower than on Tuesday.

Traders pushed prices higher in the expectation that Brazil will halt its weekly auctions of government coffee stocks. The Brazilian government was expected to confirm last night that the auctions would be stopped as they have failed to dampen domestic coffee prices and curb inflation.

The government had planned to sell 7.7m bags of coffee this year – it has already sold 2.7m bags.

While sales have stabilised local prices, they have failed to push them down and Brasilia is now expected to review other ways of reducing domestic prices.

The stopping of the auctions will be bullish for international coffee prices, according to Lawrence Eagles, softs analyst at GNI, the London brokers. "Consumers will not have the opportunity of rebuilding stock levels ahead of the expected shortfall in the 1995-1996 crop," he said.

The tightness in supplies will continue to support market prices.

But a bout of profit-taking by the investment funds pushed the prices down at the close of the London market yesterday.

"The supply-demand equation continues to be bullish, but the market read too much into it too quickly and moved ahead too fast," said Mr Robert MacArthur, vice president of tropical trading at Merrill Lynch in New York.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1543.5-44.5	1568-68.5
Previous	1533-34	1558-59
High/low	1532	1577/1557
AM Official	1532-32.5	1557-57.5
Kerb close		1576-76.5
Open int.	277,695	
Total daily turnover	45,287	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1550-55	1572-75
Previous	1650-55	1570-75
High/low		1568/1567
AM Official	1545-50	1565-68
Kerb close		1570-80
Open int.	2,908	
Total daily turnover	741	

■ LEAD ($ per tonne)

Close	601.5-2.5	616.5-17.0
Previous	604.5-5.5	618-20
High/low	599	620/612
AM Official	598.5-99.0	612.5-13.0
Kerb close		616-7
Open int.	41,277	
Total daily turnover	10,214	

■ NICKEL ($ per tonne)

Close	6125-35	6310-20
Previous	6230-35	6325-30
High/low	6150	6340/6240
AM Official	6145-50	6245-50
Kerb close		6330-40
Open int.	53,764	
Total daily turnover	15,088	

■ TIN ($ per tonne)

Close	5285-95	5360-70
Previous	5310-20	5365-70
High/low		5390/5340
AM Official	5265-75	5336-45
Kerb close		5390-95
Open int.	17,697	
Total daily turnover	4,569	

■ ZINC, special high grade ($ per tonne)

Close	967-68	990-91
Previous	965.5-66.5	989-89.5
High/low		994/987
AM Official	964-64.5	987.5-88.5
Kerb close		994-95
Open int.	87,993	
Total daily turnover	16,702	

■ COPPER, grade A ($ per tonne)

Close	2487.5-88.5	2486-87
Previous	2482-83	2497-98
High/low	2463	2497/2481
AM Official	2463-64	2481-82
Kerb close		2487-88
Open int.	217,740	
Total daily turnover	60,018	

■ LME AM Official £/$ rate: 1.5468
LME Closing £/$ rate: 1.5460

Spot:1.5467 3 mths:1.5448 6 mths:1.5420 9 mths:1.5372

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open Int	Vol
Sep	116.65	+0.15	116.70	115.00	6,950	705
Oct	115.55	+0.10	115.00	114.25	1,088	26
Nov	115.20	+0.10	114.70	113.90	615	1
Dec	114.75	-	114.90	113.50	34,416	3,080
Jan	114.25	-	-	-	535	56
Feb	113.75	-	-	-	315	-
Total					51,584	4,088

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	389.50-389.90	
Opening	387.60-388.00	
Morning fix	388.40	250.823
Afternoon fix	389.70	251.582
Day's High	390.10-390.50	
Day's Low	387.40-387.80	
Previous close	387.40-387.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.35 6 months 4.53
2 months ....4.36 12 months 4.92
3 months 4.39

Silver Fix	p/troy oz.	US cts equiv.
Spot	355.70	551.00
3 months	360.20	557.25
6 months	365.45	564.45
1 year	378.85	581.35

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	253-256
Maple Leaf	400.50-403.00	
New Sovereign	90-93	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£/tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	1471	1459

Cotton
Liverpool- Spot and shipment sales amounted to 240 tonnes for the week ended 2 September against 280 tonnes in the previous week. Restricted operations involved few fresh dealings. Only occasional interest displayed in Central Asian and American styles.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
Sep	87.50	+0.80	88.00	87.00	739	14
Nov	91.30	+0.40	91.75	90.95	10,077	1,162
Jan	94.90	+0.55	95.60	94.75	4,571	389
Mar	98.70	+0.40	99.25	98.50	3,033	535
May	102.50	+0.95	102.50	102.50	856	2
Jul	105.55	+1.80	105.00	105.00	404	26
Total					20,081	2,163

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 7	Sep 6	month ago	year ago
2082.2	2083.2	2088.2	1838.0

■ CRB Futures (Base: 1967=100)

Sep 6	Sep 5	month ago	year ago
233.22	-	231.21	213.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	39.300	+0.300	39.500	39.050	1,913	155
Jun	44.400	+0.150	44.400	44.050	617	61
Aug	43.100	+0.050	43.200	42.925	76	5
Total					27,476	6,190

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
Feb	42.200	-0.175	42.875	42.000	7,432	2,276
Mar	42.075	+0.025	42.750	41.860	442	82
May	43.100	+0.400	43.700	42.800	79	16
Jul	44.500	+0.150	44.500	43.800	144	16
Aug	43.250	-	-	-	30	1
Total					8,127	2,385

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	76	117	12	38
1525	59	101	19	45
1550	44	87	28	55
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2400	100	140	19	58
2450	67	112	36	79
2500	42	88	61	104
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	426	491	98	258
3650	392	464	114	281
3700	360	438	132	305
■ COCOA LCE	Dec	Mar	Dec	Mar
1000	22	56	125	126
1050	13	42	166	163
1100	8	31	211	202
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1600	55	-	7	29
1650	22	59	21	48
1700	9	38	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)		+or-
Dubai	$15.55-5.64z	+0.280
Brent Blend (dated)	$16.00-6.03	+0.155
Brent Blend (Oct)	$16.46-6.49	+0.125
W.T.I. (1pm est)	$17.75-7.77	+0.155
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$184-187	
Gas Oil	$156-157	+2
Heavy Fuel Oil	$72-74	
Naphtha	$160-162	+1
Jet fuel	$172-173	+2
Petroleum Argus assessments		
■ OTHER		
Gold (per troy oz)♣	$389.70	+2.05
Silver (per troy oz)♣	550.5c	+6.00
Platinum (per troy oz.)	$421.50	+1.25
Palladium (per troy oz.)	$154.25	+0.25
Copper (US prod.)	121.0c	+1.0
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.40m	+0.14
Tin (New York)	249.5c	+1.0
Cattle (live weight)†◎	116.26p	-1.02*
Sheep (live weight)†♠◎	83.33p	+0.37*
Pigs (live weight)◎	75.63p	+0.13*
Lon. day sugar (raw)	$298.4	-6.2
Lon. day sugar (wte)	$335.8	-3.2
Tate & Lyle export	£305.0	-3.0
Barley (Eng. feed)	£107.0w	
Maize (US No3 Yellow)	$180.0	
Wheat (US Dark North)	£138.0	
Rubber (Oct)♥	86.00p	
Rubber (Nov)♥	85.00p	
Rubber KL RSS No1 Aug	312.00m	-2.50
Coconut Oil (Phil)§	$600.0z	+7.5
Palm Oil (Malay.)§	$592.5t	+5.0
Copra (Phil)§	$389.0	-26.0
Soyabeans (US)	£168.25u	+0.25
Cotton Outlook 'A' index	74.95c	-0.15
Wooltops (64s Super)	457p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ◎ Prices are for previous day.

CROSSWORD

No.8,553 Set by ALAUN

ACROSS

1 Quotes, reading aloud from "Tourist Attractions" (6)
4 Forces me to go back into the building (8)
9 On a piece of wood (6)
10 Knock down and it spills out (4,4)
12 Badinage is, in a bar (8)
13 From the attendant comes "Villain, meet your doom!" (6)
15 Stand back, the one in blue (4)
16 A bit dull, unlike Switzerland (6,4)
19 No rush to produce the prisoners' trousers? (4,2,4)
20 Box with belts that have been returned (4)
23 Can joke about the punishment (6)
25 Infernally warped, is intent on (8)
27 Being for once smart, I go inside (8)
28 Lumber from the stable (6)
29 The charm that well-cut tails give to a chap (8)
30 Seek for a way to keep the rabbit population down (6)

DOWN

1 Crazy turn taken by the plot – attempted murder (7)
2 Piloting the ship badly though having a basic knowledge (9)
3 Rubbish! Line it with hard leather (6)
5 Flight most of the way (4)
6 A killing made, we gather, on land (8)
7 Prevented the necessity of having delivered (5)
8 Outburst of anger in a street artist (7)
11 Leaves half the side sections (7)
14 Didn't lift a finger to try to get transport! (7)
17 Regarding what you say, he understands (3,6)
18 Means it's to do with music (8)
19 The section about cooking eggs taking up most room (7)
21 Go back and haggle with again (7)
22 Requests should come with a note, if you don't mind (6)
24 Quick answer to "Will this material wear well?" (5)
26 Obsolete coin making a comeback (4)

Solution 8,552

AMANDA USABLE
R L O P U N
FOXTROT WOLFRAM
M H M S K F O
ZABAGLIONE ANTI
E A L L M
BEARD DOGOODER
Y E I A N
SPUMANTE DUCAT
A A R G O
ASTI SILVERMINE
S L I Y T P A
KITCHEN GENETIC
[illegible]

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate worries again sap early confidence

By Terry Byland,
UK Stock Market Editor

Interest rate worries continued to cast their spell over the UK stock market yesterday as investors speculated over the progress of the monthly policy meeting between the UK chancellor of the exchequer and the Governor of the Bank of England. A firm opening by share prices melted away and, although UK government bonds resisted easier trends in other global bond markets, the FT-SE 100-share Index slipped into negative territory at the close, and was not helped by an early fall of 8.75 on the Dow Industrial Average.

Nervousness over UK base rates increased after the Halifax Building Society, Britain's biggest home mortgage lender, admitted to significantly reduced confidence in housing industry prospects, and warned of the likely effects of any rise in rates. Reported comments from a Bundesbank council member that rates could still fall in Germany appeared to land on deaf ears.

The final reading showed the FT-SE 100 at 3,203.9, a net 1.5 down, after a slow but steady reversal of an early improvement of nearly 14 points which reflected an initial recovery in German bonds from the falls of the previous day.

The FT-SE Mid 250 Index lost 3.3 at 3,779.1. Trading volume increased to 635.2m shares through the Seaq electronic network, more than 10 per cent up from Tuesday's figure, when retail, or customer, business stayed high at a worth of £1.39bn.

While many strategists doubted suggestions that the UK authorities might decide on a pre-emptive rise in base rates, it was generally agreed that the possibility would at least find an airing at yesterday's meeting between Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, the Bank of England Governor.

There was little buying strength behind the initial advance by equities and trading volume appeared to increase as the market turned back. The relatively high level of retail activity this week indicates that the big investment institutions are trading in equities, albeit cautiously, and appear to be unloading some stock. However, fund managers seem to have been reshaping portfolios rather than selling equities, and many analysts expect a further market gain.

While corporate profits statements remained favourable, and were, in the case of RTZ, accompanied by a higher dividend payout, the market overall was no longer responsive. A sharp rise in RTZ, which is regarded as a good guide to global economic activity, had little effect elsewhere. Strategists commented that the UK stock market, which has been driven for some months by rising company dividends and earnings, appears now to be turning its attention back to the interest rate front.

Market indices benefited from strength in oil shares, where recent recommendations from London brokerage houses outweighed any effects of the settlement of the Nigerian strike, and in bank shares.

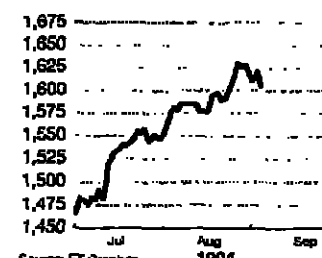
But an attempted recovery by some retail stocks failed as investors again reacted to the implications of the threat to domestic consumer spending of an upward move in UK interest rates. Several store shares lost early gains and the sector turned easier in the wake of the comments from the chairman of the Halifax.

There was no immediate response from the stock market to the lifting of the Malaysian ban on UK trade, although several leading UK firms will hope to be allowed to tender for work on Malaysia's new international airport, a project from which they were originally excluded.

● The FT-SE 100-share Index Steering Committee announced yesterday that Schroders and 3i Group will join the Footsie index on September 19, and that NFC and Coats Viyella will leave.

Full details of FT-SE changes: UK Company News pages.

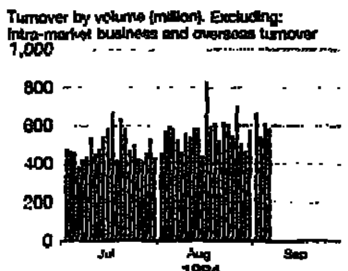
FT-SE-A All-Share Index



Source: FT Graphics

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3203.9	-1.5	FT Ordinary index	2475.7	-3.2
FT-SE Mid 250	3779.1	-3.3	FT-SE-A Non Fins p/e	19.81	(19.84)
FT-SE-A 350	1618.6	-0.9	FT-SE 100 Fut Sep	3206.0	+5.0
FT-SE-A All-Share	1606.38	-0.88	10 yr Gilt yield	8.77	(8.81)
FT-SE-A All-Share yield	3.71	(3.70)	Long gilt/equity yld ratio:	2.38	(2.39)

Best performing sectors

1 Extractive Inds. .... +1.4
2 Gas Distribution .... +1.1
3 Oil, Integrated .... +1.0
4 Printing, Paper .... +0.9
5 Mineral Extraction .... +0.9

Worst performing sectors

1 Life Assurance .... -1.9
2 Property .... -1.2
3 Building & Cons. .... -1.1
4 Distributors .... -0.8
5 Spirits, Wines .... -0.8

Rerating seen at Ladbroke

Hotels and leisure group Ladbroke put on the best individual performance in the FT-SE 100 list as the market responded to an overnight surge on Wall Street in the share price of Hilton Hotels, which jumped almost 10 per cent. Ladbroke owns the Hilton brand name outside the US.

Dealers were quick to lift the Ladbroke share price, citing rumours of a possible break-up of the US Hilton group as possibly signalling a significant rerating of Ladbroke.

Mr Alasdair McNee, an analyst at Yamaichi Europe, said the market was taking the view that Ladbroke's recent move back into casino gambling, after a 15-year absence, via its acquisition of three casinos last week, could also promote an upgrading. Casinos contribute more than 50 per cent of Hilton Hotels' profits in the US, the analyst said.

Ladbroke acquired the three casinos, Maxim's, the Golden Horseshoe and Charlie Chester's, from Mr Trevor Hemmings, who became one of Ladbroke's biggest shareholders following the deal.

Ladbroke shares closed 5 higher at 169p after good turnover of 5.4m.

Index surprise

A surprise result in the latest changes to the FT-SE 100 Index came too late in the day to affect the relevant stocks, but dealers said several big investors were put off their stride by the inclusion in the index of investment group 3i rather than Eurotunnel.

It had been widely anticipated that the Channel tunnel group would join merchant bank Schroders in the leading index, replacing textiles group Coats Viyella and freight company NFC. A number of tracking funds which link investments closely to the Footsie had apparently already bought Eurotunnel stock to adjust their holdings.

However, a spokesman for the FT-SE steering committee said that as the Eurotunnel Units represented a combination of French and British stock the capitalisation was halved to give an appropriate weighting.

Coats Viyella, which announced the appointment of Lord Owen to the board, eased a half-penny to 222½p, while NFC shed 2 to 170p following a fall in nine-month restated profits to £76.8m from £116.3m previously. Eurotunnel was a penny off at 284p and 3i slipped 2¼ to 319p, while Schroders edged up 2 to 1535p.

The world's biggest mining company, RTZ, advanced 13 to 885p after producing first-half figures above market forecasts. The group announced a 30 per cent rise in adjusted earnings to £242m, against forecasts of between £195m and £215m.

Analysts raised full-year predictions by some £70m. For example, SGST moved its figure to £530m from £460m.

RTZ's paying of a foreign income dividend had distorted the figures by lowering the tax charge, but underlying profits were still up by 20 per cent against market expectations of about a 15 per cent increase.

More details of share buybacks and the appearance of the rumoured cost-reduction programme at Midlands Electricity kept the regional electricity stocks bubbling away.

London Electricity just edged out Midlands as the sector's best performer, with London closing 21 higher at 721p and Midlands 20 ahead at 819p. Midlands said its cost reduction plans would be worth around £30m over the next two years. Manweb, which announced a similar move on Tuesday, jumped 11 more to 862p.

There were more share buybacks announced yesterday by South Wales Electricity, which said it had picked up a further 100,000 shares late on Monday at 815p. South Wales shares advanced 13 to 830p.

There were also strong performances from Eastern, up 9 more at 797p, Norweb, 12 higher at 817p, and Southern, which rose 13 to 780p.

The Scottish generators suffered yet more weakness ahead of the pricing review, which was said to be imminent. Hydro-Electric lost 10 at 388p and Power 9 at 390p.

National Westminster was the outstanding stock in a bank sector still attracting plenty of attention from the big institutions. The shares rose 7 to 518p, helped by a positive recommendation from Credit Lyonnais Laing, whose banks team pinpointed the stock as a particular beneficiary of higher base rates.

The market gave a grudging response to the interim profits improvement at Hillsdown Holdings, with dealers marking the shares up to 185p immediately the results were announced before chopping them back to their overnight level of 181p.

Ms Arabella Cecil, food manufacturing analyst at Credit Lyonnais Laing, described the figures as "satisfactory rather than exciting", but remained bullish of the stock. "We continue to expect a 10 per cent-plus rerating over the next 12 months as consistent results are delivered and the dividend resumes growth." Ms Cecil cautioned, however, that the stock would be low on short term thrills.

Dalgety receded 4 to 489p amid talk of a James Capel sell recommendation. Cadbury Schweppes rose 5 to 472p, helped by a Strauss Turnbull buy recommendation in front of interim figures expected this morning.

Nurdin & Peacock put on 6 at 183p in the wake of the well received interims, which included a 5 per cent increase in the dividend.

Engineering group BBA managed to overcome an initially unfavourable reaction to its interim profits, which more than halved because of a £15m exceptional litigation charge.

The market was pleased with the progress the group has made and encouraged by management's reiteration of target margins of 10 per cent. The stock put on 9 at 198p on high volume of 3.8m.

Nervousness surrounded GKN, which declined 9 to 614p. There was rumoured to be a block of 1m shares in the market and few takers.

Simon Engineering suffered, in spite of reducing first-half losses, the shares dipping 4 to 110p. "It is difficult to see any value short of breaking the group up," said one analyst.

Profit-taking took 4¼ off British Steel at 153¼p. The stock has lost 7 since Monday, sparked by downbeat price comments made by ASW when announcing its results on Monday.

Arjo Wiggins, the paper group, improved 7½ to 279p ahead of interim figures due today. Bowater remained strong, closing 6 up at 498p.

Encouraging figures from Portals, the banknote paper maker, saw the shares jump 20 to 675p. Interim profits rose 20 per cent to £16.2m.

Anagen, the medical diagnostic group, forged ahead 13 to 65p after announcing that the US Food and Drug Administration had approved its automated immunoassay system.

MARKET REPORTERS:
Peter John,
Clare Gascoigne,
Steve Thompson.

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (82).
BREWERIES (1) Marston Thompson, BLDG MATLS & MCHTS (1) Russell (A.), DISTRIBUTORS (5) Brammer, Finelist, Norcam, Parco, Spandex, ELECTRNC & ELECT EQUP (2) Alba, TGI, ENGINEERING (3) Dominick Hunter, Ransomes, Tinsley (E), ENG. VEHICLES (1) First Tech, EXTRACTIVE INDS (16) HEALTH CARE (1) Midland Assets, INVESTMENT TRUSTS (3) EFM Dragon Tst. Wrnts 2005, JF Asia Select, TR European Growth Trust, LEISURE & HOTELS (4) Bluebird Toys, Fairline Boats, Northern Leisure, Do. Cv Db 96/01, MEDIA (1) Grampian TV A, MERCHANT BANKS (1) Schroders, OIL EXPLORATION & PROD (1) Gulfstream Res Canada, OTHER FINANCIAL (1) SSU, PHARMACEUTICALS (1) Brit Biotech, RETAILERS, GENERAL (3) Austin Reed, French Connection, Oliver Group, SPIRITS, WINES & CIDERS (1) Macdonald Martin A, SUPPORT SERVS (3) Hawtal Whitng, Radius, Reliance Security, TEXTILES & APPAREL (1) Wensum, TRANSPORT (1) GRT Bus, WATER (1) South Staffs Water.
NEW LOWS (25).
GILTS (1) Treasury 13¼pc Ln. 1997, CHEMICALS (2) Sutcliffe Speakman, Wellington, DISTRIBUTORS (1) Persona, ENG. VEHICLES (1) Motor World, HOUSEHOLD GOODS (1) Vymura, INVESTMENT TRUSTS (6) ECU Tst Wts, First Spanish Inv. Wts, Gartmore Shared Equity Zero Div Pf, Johnson Fry Second Uts Zero Pf, Jos Zero Div Pf, Olim Zero Cpn Prf, LEISURE & HOTELS (2) Granada Cv. Prf., Surrey, OTHER SERVS & BUSNS (1) Essefte, PRTNG, PAPER & PACKG (2) Bne. Thornton, Hunterprint, PROPERTY (3) Brit Land 6pc Cv Bd, Peel, Specialty Shops, TEXTILES & APPAREL (1) Beckman (A), TRANSPORT (1) NFC Var Vtg, AMERICANS (2) General Host, Malvy Tech, CANADIANS (1) Darlan Inds.

EQUITY FUTURES AND OPTIONS TRADING

Technical trading ahead of next Friday's expiry of the September FT-SE 100 Index futures contract dominated an otherwise steady day of consolidation that gave some relief from the nervousness seen on Tuesday, writes Clare Gascoigne.

Volume in the September contract was significant at 19,160 lots, but it was the December contract that saw the greatest change in turnover. Volume was more than doubled to 9,826, compared with only 4,072 the previous day, as traders began to roll over positions from the September to December contracts.

September opened steadily at 3,213, but then moved up rapidly to 3,227 by mid-morning, the high for the day.

However, a slow drift down began soon after, and the contract closed at 3,206 – spot on its fair value premium to the underlying cash market of 3 points.

Once again, 3,200 proved the testing ground; the September contract touched its lowest point at this level and traded under 3,210 for most of the day.

Volume was also high in traded options, with total turnover reaching 39,939 lots, of which 10,898 were in the FT-SE 100 option.

The most actively traded stock options were British Steel at 2,750 contracts and HSBC at 2,068.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3213.0	3206.0	+5.0	3227.0	3200.0	20360	44260
Dec	3227.5	3221.0	+4.5	3240.0	3216.0	10345	19124
Mar	3259.0	3248.0	+6.0	3259.0	3259.0	50	110

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3780.0	3782.0	-2.0	3780.0	3780.0	643	4167
Dec	3802.0	3803.0	-4.0	3802.0	3802.0	843	841

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3782.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3205) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Sep	158½	2½	112	5½	69	12½	35	29½	13	58	3½	104	1	154	1	204
Oct	172½	20½	133½	30½	97½	44	69½	65	46	92	28½	125	16	164	9	208½
Nov	193	31½	157	45½	123	62	94½	83	70	109	48	138½	33½	175	20½	214½
Dec	215	48	179	61	147	78½	117½	98½	91	124	69	152	50½	185	37	2½
Jun†			275	114½			216½	115½			167½	206½			123	265

Calls 5,342 Puts 4,868

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025		3075		3125		3175		3225		3275		3325		3375	
Sep	182	1½	134	3½	89	8	50	19	20½	39½	5½	74½	1½	120	1	69½
Oct	195	17	154	25	117	38½	84½	55½	57½	78½	38½	107	21½	142	12	182
Nov	215	29			140½	53½			81½	93			41	152		
Dec	232½	38			180½	68			102½	108½			61	163½		
Mar†	281½	65			214½	95			158½	136			113	118		

Calls 7,159 Puts 3,231 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500		3550		3600		3650		3700		3750		3800		3850	
Sep											63	25½	36	50	18½	82

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Sep 7	Day's chge%	Sep 6	Sep 5	Sep 2	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3203.9	----	3205.4	3241.5	3222.7	3035.4	3.92	6.82	17.31	90.23	1207.49
FT-SE Mid 250	3779.1	-0.1	3782.4	3788.7	3781.3	3482.4	3.28	5.50	21.85	89.03	1403.22
FT-SE Mid 250 ex Inv Trusts	3784.7	-0.1	3788.6	3794.3	3785.4	3478.0	3.42	5.94	20.36	91.77	1401.75
FT-SE-A 350	1618.6	-0.1	1619.5	1634.1	1626.1	1521.8	3.77	6.51	18.20	43.86	1247.85
FT-SE SmallCap	1910.85		1911.08	1912.12	1911.89	1783.53	2.97	4.11	31.18	38.21	1477.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	3,300	64	+½
Abbey National†	1,200	416	-4
Albert Fisher	1,300	50	
Allied-Lyons†	1,300	606	-2
Anglian Water	912	589	-1
Argos	602	358	+1
Argyll Group†	3,700	290	
Arjo Wiggins†	3,700	279	+7½
Assoc. Brit. Foods†	544	554	+2
Assoc. Brit. Ports	137	266	+4
BAA†	1,600	495	+2
BAT Inds.†	3,100	436	-1
BET	6,300	[illegible]	[illegible]
BICC	737	[illegible]	[illegible]
BOC†	470	[illegible]	[illegible]
BP†	7,400	[illegible]	[illegible]
BPB Inds.	2,800	[illegible]	[illegible]
BT†	6,900	[illegible]	[illegible]
BT (P/Paid)	5,700	[illegible]	[illegible]
BTR†	3,000	[illegible]	[illegible]
Bank of Scotland†	1,500	[illegible]	[illegible]
Barclays†	4,800	[illegible]	[illegible]
Bass†	1,300	[illegible]	[illegible]
Blue Circle†	1,200	[illegible]	[illegible]
Booker	376	[illegible]	[illegible]
Boots†	763	[illegible]	[illegible]
Bowater†	3,700	[illegible]	[illegible]
Brit. Aerospace†	3,800	[illegible]	[illegible]
British Airways†	2,300	[illegible]	[illegible]
British Gas†	8,400	[illegible]	[illegible]
British Land	730	[illegible]	[illegible]
British Steel†	9,000	[illegible]	[illegible]
Bunzl	309	[illegible]	[illegible]
Burmah Castrol†	518	[illegible]	[illegible]
Burton	1,300	[illegible]	[illegible]
Cable & Wire†	11,000	[illegible]	[illegible]
Cadbury Schweppes†	1,100	[illegible]	[illegible]
Calor Group	59	[illegible]	[illegible]
Caradon†	2,400	[illegible]	[illegible]
Carlton Comms.†	1,100	[illegible]	[illegible]
Coats Viyella†	3,000	[illegible]	[illegible]
Comm. Union†	264	[illegible]	[illegible]
Cookson	2,700	[illegible]	[illegible]
Courtaulds†	1,400	[illegible]	[illegible]
Dalgety	140	[illegible]	[illegible]
De La Rue†	161	[illegible]	[illegible]
Dixons	1,800	[illegible]	[illegible]
Eastern Elect.	1,100	[illegible]	[illegible]
East Midland Elect.	188	[illegible]	[illegible]
Eng China Clays	947	[illegible]	[illegible]
Enterprise Oil†	1,400	[illegible]	[illegible]
Eurotunnel Units	1,300	[illegible]	[illegible]
FKI	160	[illegible]	[illegible]
Fisons	4,300	[illegible]	[illegible]
Foreign & Col. I.T.	855	[illegible]	[illegible]
Forte†	2,900	[illegible]	[illegible]
Gen. Accident†	334	[illegible]	[illegible]
General Elect.†	2,600	[illegible]	[illegible]
Glaxo†	5,100	[illegible]	[illegible]
Glynwed	1,300	[illegible]	[illegible]
Granada†	2,100	[illegible]	[illegible]
Grand Met.†	3,300	[illegible]	[illegible]
GUS†	672	[illegible]	[illegible]
GRE†	928	[illegible]	[illegible]
GKN†	1,300	[illegible]	[illegible]
Guinness†	2,200	[illegible]	[illegible]
HSBC (75p shs)†	4,300	[illegible]	[illegible]
Hammerson	879	[illegible]	[illegible]
Hanson†	6,300	[illegible]	[illegible]
Hansons Crosfield	540	[illegible]	[illegible]
Hays	392	[illegible]	[illegible]
Hillsdown	8,400	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	40	6	24
Other Fixed Interest	3	2	10
Mineral Extraction	87	30	61
General Manufacturers	99	149	396
Consumer Goods	27	44	116
Services	80	77	345
Utilities	19	18	8
Financials	92	81	195
Investment Trusts	72	88	307
Others	39	39	31
Totals	558	534	1513

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 9	Settlement	December 8

Calls: BAT, Ennex, Joel (HJ), John Mansfield, Lonrho, Medeva, Merchant Retail, NHL, Peek, Radius, Ramco Energy, Scottish Power, Trinity Hldgs. Puts: Joel (HJ), Medeva, NHL Pref, Rhino. Puts & Calls: Bluebird Toys, Greenwich Res, Medeva, NFC, Ramco Energy, WPP.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
-	F.P.	0.60	17	6½	Panther Wrts.	17		-	-	-	-
-	F.P.	1.11	40	35	Petroceltic	35	-5	-	-	-	-
150	F.P.	182.2	162	157	Pillar Property Inv	161		LN3.7	-	2.9	-
-	F.P.	4.55	44	36	Suter Wrts 99/04	39		-	-	-	-
100	F.P.	3.81	105	97	TR Euro Gth Ptg	105		-	-	-	-
-	F.P.	2.40	35	29	Tops Ests Wrts	30		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
32	Nil	3/10	1½pm	½pm	Raglan Props	1½pm	+½

FINANCIAL TIMES EQUITY INDICES

	Sep 7	Sep 6	Sep 5	Sep 2	Sep 1	Yr ago	*High	*Low
Ordinary Share	2475.7	2478.9	2512.2	2506.2	2509.4	2372.8	2713.6	2240.6
Ord. div. yield	4.12	4.12	4.07	4.08	4.07	3.89	4.46	3.43
Earn. yld. % full	5.93	5.92	5.85	5.87	5.88	4.59	5.95	3.82
P/E ratio net	18.04	18.06	18.28	18.24	18.27	27.79	33.43	17.59
P/E ratio nil	18.63	18.66	18.89	18.84	18.87	25.66	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2481.1	2482.7	2478.2	2482.9	2481.7	2482.9	2484.1	2479.7	2476.1	2484.9	2474.7

	Sep 7	Sep 6	Sep 5	Sep 2	Sep 1	Yr ago
SEAQ bargains	27,583	27,877	29,703	28,858	29,323	25,682
Equity turnover (£m)†	-	1399.2	1292.6	1493.9	1656.0	1271.9
Equity bargains†	-	31,162	33,099	32,636	34,122	29,787
Shares traded (ml)†	-	583.3	607.3	540.7	687.9	546.0

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	-½	£25⅝	£20½	8,624	5.1	ϕ
ANZ A$		186	-2	278¼	179½	2,476	5.2	27.7
Abbey National	†N□	415xd	-4	523	381	8,444	4.7	14.0
Allied Irish I£	♣†N□	263xd	-1	314	234	1,738	4.8	10.1
Anglo Irish I£	MN□	61	-1	*70	50	209.9	7.0	11.1
Asahi Y		699	-23½	819¼	628	18,222	0.7	ϕ
Banco Bil Viz Pta		£15¾	+⅜	£18¼	£14½	3,508	5.5	6.7
Banco Sant Pta		£30⅛	—	*£30½	£23¼	3,948	5.5	9.1
Bk Ireland I£	♣□	293	—	*319	246	1,384	4.4	8.5
Bank Scotland	♣†N□	213½	+3	247	172½	2,491	3.0	17.5
9¼pc Pf		112½	+½	141½	112	112.6	10.3	–
9⅜pc Pf		118	+½	148½	117½	118.0	10.3	–
Barclays	♣†N□	590xd	+4	640	487	9,745	3.5	18.5
Dai Ichi Kan Y		£11⅜	-⅛	£12⅞	£10⅝	35,163	0.5	–
Deutsche DM		£302⅝	+3⅜	£344¾	£270⅝	14,425	2.3	–
Espirito Santo		£10⅝	-⅛	*£13⅝	£9⅜	221.2	3.8	5.1
First Nat Fin	N□	71	+1½	*90	60	119.8	2.8	–
6.3pc Cv Pf		77	—	*90	77	5.18	10.2	–
7pc Cv Pf		127½	+½	171	123	80.5	6.9	–
Fuji Bank Y		1345¼	-37¼	1549¼	1152½	38,985	0.4	ϕ
HSBC HK	†N□	789xd	+14	1139	680	13,765	3.9	11.4
HSBC (75p Shs)	†N□	785xd	+12	1113	660	6,511	4.0	11.1
Lloyds	†N□	581xd	+1	668	519	7,523	4.9	11.4
Mitsubishi Y		£15⅝	—	£18⅝	£15⅝	46,903	0.3	ϕ
Mits Tst & Bk Y		901½	-10½	1182¼	887½	10,802	0.6	72.9
Mitsui Tst & Bk Y		686	-10½	879	514	8,219	0.8	32.5
Nat Aust A$	†	501	-4	620¼	489¼	6,786	5.7	10.4
NatWest	†N□	518xd	+7	622	421	8,824	4.7	9.6
Ottomane FFr		£21½	—	£33	£21¼	187.5	6.8	ϕ
Ryl Bk Scotland	♣†N□	438	+1	528	377½	3,604	3.4	19.8
Sakura Y		£9⅞	-⅛	£9⅞	£8⅛	29,806	0.6	53.4
Sanwa Y		£12⅝	-⅛	£15⅛	£11⅝	35,055	0.5	–
Standard Chartd	†N□	289xd	+5	*359¼	223	2,585	3.0	9.2
7 3/8pc Prf		83½xd	+¼	108½	83¼	83.5	11.0	–
Sumitomo Y		£12⅛	-⅛	£16⅛	£11½	37,753	0.5	24.9
Sumitomo Tst Y		855¼	+4¼	1148½	625	18,645	0.6	ϕ
TSB	†N□	232xd	-1	281	197	3,591	4.4	11.7
Tokai Y		£8⅛	+⅛	£9	£5⅝	18,320	0.7	48.8
Toyo Tst & Bk Y		718½	-30	852	588¼	5,847	0.7	61.7
Westpac A$		215	—	260	194	3,913	2.5	ϕ
Yasuda Tst Bk Y	‡	541½	-4½	856	442	5,974	0.9	46.5

BREWERIES

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	9¼	—	18¼	3¼	13.8	–	–
Bass	†N□	587	-½	619	485	4,944	4.6	14.6
Boddington	†N□	282	—	299	250	342.1	3.7	19.2
Burtonwood	N	192	—	196	168	38.9	3.3	16.0
Eldridge Pope A	♣†N	158	—	181	142	30.8	2.9	21.9
Fosters A$		57	—	68	46¼	1,834	5.1	ϕ
Fuller STA	♣♣N	420	—	493	416	85.7	2.3	17.4
Gibbs Mew	♣♣gN	420xd	—	*420	348¼	45.0	2.6	ϕ
Greenalls	♣†N□	461	-2	511	389	983.5	3.4	17.7
Greene King	N□	534	-3	584	452	225.8	3.0	14.9
Grosvenor Inns	♣♣N	143xd	—	*165	124	19.0	4.2	ϕ
Holt (J)	N	3773	—	3773	3125	113.2	1.6	21.2
Kirin Y		769¼	+5¼	824¼	674	8,095	0.8	28.0
Mansfield	N	243	—	249	195	155.8	2.3	ϕ
Marston Thomp	N□	312	+2	312	256	278.0	2.4	16.2
Morland	†N	493	—	545	453	108.5	2.5	16.5
Paramount	♣gN□	8½	—	*10¼	8½	8.54	2.2	15.7
Regent Inns	♣‡N	243	—	267	209	35.6	2.1	24.7
Scot & New	gN□	521	-1½	*591	493	2,771	4.1	15.5
United Breweries	♣□	4½	-½	9	3	6.78	–	–
Vaux	♣†N□	268	—	306	229	371.3	4.5	17.1
Wetherspoon (J.D.)	†N□	391	—	*403¼	324½	141.5	1.9	25.8
Whitbread	N□	562	-11	617	494	2,939	4.2	18.3
Wolv & Dudley	†N□	584	-3	589	493	373.9	2.9	15.8
Yates Bros	L□	171	—	180	148	65.4	2.2	21.1
Young A	N	580	—	535	483	14.6	3.7	19.3
N/V	N	436	—	465	423	24.8	4.3	16.7

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Abbey I£		169xd	—	206	135	63.9	1.5	ϕ
Allen	♣N	180	—	260	148	55.8	3.6	21.3
AMEC	N□	121	+4	164	99	244.7	3.1	69.0
6½p Cv Pf		94	+½	128½	88	182.4	8.8	–
Amey	♣LN□	172	—	176	160	48.1	5.1	31.2
Amco Corp	ΨN	49½	—	98½	46	5.35	2.4	20.0
Andrews Sykes	N□	76	—	95	47	10.8	–	–
Ashtead	♣N□	417xd	+4	*454	333	125.5	1.6	ϕ
Avonside	♣†N□	138	-2	191	113	60.0	4.0	16.0
Bailey (B)	aN	35	—	41	26	3.66	2.5	21.2

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30	.....	£30	£13½	1,956	2.5	22.0
Barlow	Z	£4¾	.....	£5½	£3½	863.8	0.7	–
Gold Flds Prop R		127xa	.....	128	75	13.0	7.4	ϕ
NK Props.	z	85	.....	85	85	3.42	14.3	ϕ
SASOL		479	.....	493	280	2,722	3.0	–
SA Brews		£12⅝	.....	£15⅞	£10	3,397	2.2	20.0
Tiger Oats	†	800	.....	838	538	902.2	2.6	12.7
Tongaat-Hulett	b	581	.....	*616½	356¼	629.6	2.2	16.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pre -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Markets watch UK rates

UK markets will open nervously today as traders watch for signs of a possible rise in UK interest rates, *writes Philip Gawith.*

Although most observers were not expecting higher rates, a minority thought yesterday's monthly monetary meeting, between the chancellor and the governor of the Bank of England, might result in a decision to raise rates over the next week.

There was no sign in the cash or futures markets that higher rates were expected, and sterling held steady with the trade weighted index closing at 78.6 from 78.5.

Elsewhere the D-Mark maintained its firm tone in Europe, with the Italian lira slipping back to finish in London at L1,019, from L1,016, on worries about Italy's fiscal position.

The dollar traded in a narrow range, but was helped by comments from a Bundesbank official, suggesting German rates might still fall, and closed at DM1.5486 from DM1.5426.

The start of trade talks between Mr Mickey Kantor, the US trade negotiator, and Mr Ryutara Hashimoto, the Japanese trade minister, had little impact on the dollar, which closed at Y98.965 from Y98.695.

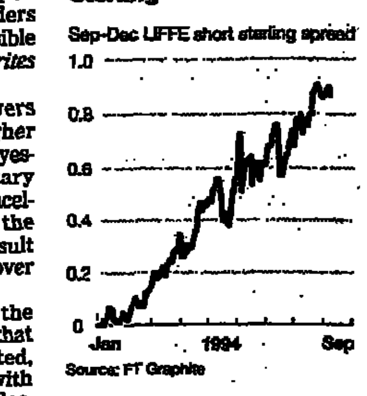
■ Contrary to the views of almost all economists, sterling futures markets continued to discount a sharp tightening in UK interest rates.

At the beginning of the year December short sterling reflected three month rates at 4.90 per cent. By the close of business yesterday, that had climbed to 6.45 per cent.

Mr Nick Parsons, treasury economist at CIBC in London, said revised expectations about the level of rates has been accompanied by a change in the slope of the sterling yield curve. In January the September and December LIFFE contracts were both priced at 95-10. This slope (the spread between the two contract prices) steadily widened to a peak of 91 basis points on August 23rd, as worries about rising base rates deepened. Last night the spread was 84 basis points.

Sterling

Sep-Dec LIFFE short sterling spread



Source: FT Graphite

■ Pound in New York

Sep 7	—Latest—	– Prev. close –
£ spot	1.5485	1.5535
1 mth	1.5482	1.5532
3 mth	1.5446	1.5516
1 yr	1.5323	1.5393

Mr Parsons said he "could not see rates rising at anything like the pace that is being discounted." Even if rates were to rise by as much as 100 basis points, this would not match the current pessimism. Indeed, futures prices could rise if rates are tightened; that was the recent experience in both the US and Australia.

Analysts said the reasons for the gloom probably had something to do with markets being unable to shake off the past. Mr Julian Callow, economist at Kleinwort Benson, commented: "The key factor that the short sterling contract does not yet appear to have accepted is that the 1990's will not simply be a re-run of the 1980's. By very virtue of the huge explosion of in household indebtedness that took place then, it is effectively impossible for a consumer credit-driven boom to recur."

Markets, however, appear to be taking a "we'll believe it when we see it attitude." Another relevant factor is that the market does not appear to have distinguished between the US recovery and the UK recovery. The US economy is growing above its trend rate – not so in the UK – and real rates were close to zero when the tightening started, compared to UK rates which are about 3 per cent.

It is not only UK futures markets that are pessimistic. In Germany, yesterday, three month money was trading around 5 per cent, compared to 5.19 per cent being discounted by the December euromark future. In France, three month money at 5.6 per cent compared to 6.17 per cent being discounted by the December PIBOR contract.

Trade in UK futures yesterday was fairly buoyant with December short sterling trading over 46,000 lots to settle ten basis points up at 93.55 from 93.45. The September contract closed at 94.39 from 94.34.

In the cash markets three month sterling LIBOR eased to 5 17/32 from 5¼. The Bank of England provided £130m late assistance to UK money markets. Earlier it had provided £42m, at established rates, after forecasting a £450m shortage. Overnight money traded between 4¾ and 6½ per cent.

■ The dollar received a brief fillip from the comments of Mr Hans-Juergen Krupp, a Bundesbank council member, who told The European newspaper that he saw room for rate reductions. These gains were later unwound as Mr Krupp's reasoning left traders baffled.

Later Mr Edward Kelley, a US Federal Reserve governor, gave dollar bulls something more substantial to chew on when he told Reuters that the Fed could not afford to be lax in achieving its inflationary goals. This helped the dollar touch Y99.68 and DM1.5540 in New York trading.

■ The issue of a two-tier Europe continued to occupy markets, in the absence of important data releases. Numerous politicians stepped into the fray, with German ministers appearing to step back from the idea of a multi-tiered Europe, and Mr John Major, the British prime minister, singing a similar tune.

Analysts said renewed talk about criteria had reminded the market that there were some countries which had public finance problems.

■ OTHER CURRENCIES

Sep 7	£	$
Hungary	165.321 - 165.529	106.900 - 107.000
Iran	2696.00 - 2698.00	1748.00 - 1750.00
Kuwait	0.4598 - 0.4602	0.2974 - 0.2975
Poland	35445.7 - 35503.6	22920.0 - 22950.9
Russia	3474.11 - 3477.20	2246.00 - 2248.00
U.A.E.	5.6736 - 5.6853	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8657	+0.0282	491 - 823	16.9097	16.8183	16.8514	0.8	16.8395	0.4	-	-	115.5
Belgium	(BFr)	49.3451	+0.0816	146 - 756	49.5230	49.2330	49.3101	0.9	49.3601	-0.1	49.1401	0.4	117.2
Denmark	(DKr)	9.4812	+0.0231	754 - 870	9.5072	9.4640	9.4884	-0.9	9.506	-1.1	9.5423	-0.6	116.5
Finland	(FM)	7.7857	+0.0076	767 - 947	7.8500	7.7740	-	-	-	-	-	-	84.1
France	(FFr)	8.2127	+0.0181	094 - 169	8.2384	8.1959	8.2163	-0.5	8.217	-0.2	8.18	0.4	110.4
Germany	(DM)	2.3953	+0.0048	943 - 963	2.4063	2.3894	2.3953	0.0	2.3926	0.5	2.3848	1.3	126.5
Greece	(Dr)	364.461	+0.537	324 - 597	365.688	363.467	-	-	-	-	-	-	-
Ireland	(I£)	1.0135	+0.0021	128 - 142	1.0179	1.0100	1.0139	-0.5	1.0153	-0.7	1.021	-0.7	103.9
Italy	(L)	2440.40	+10.82	968 - 112	2446.91	2432.52	2447.4	-3.4	2459.9	-3.2	2521.4	-3.3	74.9
Luxembourg	(LFr)	49.3452	+0.0817	146 - 756	49.5230	49.2330	49.3102	0.9	49.3602	-0.1	49.1402	0.4	117.2
Netherlands	(Fl)	2.6859	+0.0036	847 - 871	2.6952	2.6798	2.686	-0.1	2.6831	0.4	2.6513	1.3	121.1
Norway	(NKr)	10.5395	+0.0263	352 - 417	10.5679	10.5093	10.5355	0.8	10.546	-0.3	10.532	0.1	88.2
Portugal	(Es)	245.083	+0.401	811 - 354	245.757	244.428	246.813	-8.5	249.993	-8.0	-	-	-
Spain	(Pta)	199.763	+0.523	591 - 934	200.626	199.588	200.203	-2.6	201.029	-2.5	203.783	-2.0	85.8
Sweden	(SKr)	11.7933	-0.0205	856 - 010	11.8905	11.7779	11.8148	-2.2	11.8653	-2.4	12.0858	-2.5	74.4
Switzerland	(SFr)	2.0039	-	029 - 049	2.0161	1.9977	2.0025	0.8	1.9981	1.2	1.9659	1.9	122.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.6
Ecu	-	1.2588	+0.004	581 - 596	1.2615	1.2557	1.2597	-0.7	1.2609	-0.4	1.2599	-0.1	-
SDR†	-	0.945992	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5459	-0.0027	456 - 462	1.5530	1.5437	-	-	-	-	-	-	-
Brazil	(R)	1.3674	-0.0009	658 - 691	1.3720	1.3887	-	-	-	-	-	-	-
Canada	(C$)	2.1167	-0.003	159 - 174	2.1244	2.1134	2.116	0.4	2.1162	0.1	2.1161	0.0	88.6
Mexico	(New Peso)	5.2566	-0.0067	519 - 613	5.2758	5.2519	-	-	-	-	-	-	-
USA	($)	1.5468	-0.0028	465 - 470	1.5538	1.5443	1.5465	0.2	1.5446	0.5	1.5323	0.9	62.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0817	-0.0114	808 - 827	2.0955	2.0806	2.0816	0.0	2.083	-0.2	2.1012	-0.9	-
Hong Kong	(HK$)	11.9527	-0.022	500 - 554	12.0062	11.9334	11.9486	0.4	11.9477	0.2	11.9547	0.0	-
India	(Rs)	48.5254	-0.0856	137 - 371	48.7390	48.4520	-	-	-	-	-	-	-
Japan	(Y)	153.075	+0.137	011 - 139	154.280	152.830	152.735	2.7	151.89	3.1	147.125	3.9	189.6
Malaysia	(M$)	3.9509	-0.0055	495 - 523	3.9677	3.9452	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5495	-0.0176	469 - 520	2.5734	2.5449	2.5534	-1.8	2.5612	-1.8	2.5835	-1.3	-
Philippines	(Peso)	40.6796	-0.1137	410 - 182	40.9162	40.4410	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8006	-0.0111	992 - 019	5.8272	5.7921	-	-	-	-	-	-	-
Singapore	(S$)	2.3200	-0.004	188 - 211	2.3299	2.3166	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5146	-0.0148	126 - 166	5.5513	5.5047	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9875	-0.0167	670 - 079	7.0079	6.9670	-	-	-	-	-	-	-
South Korea	(Won)	1239.34	-2.51	906 - 961	1245.06	1237.45	-	-	-	-	-	-	-
Taiwan	(T$)	40.5330	-0.0666	206 - 453	40.7018	40.4546	-	-	-	-	-	-	-
Thailand	(Bt)	38.6224	-0.0711	064 - 383	38.7860	38.5690	-	-	-	-	-	-	-

†SDR rates for Sep 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8975	+0.037	950 - 000	10.9220	10.8570	10.8975	0.0	10.8973	0.0	10.8225	0.7	104.6
Belgium	(BFr)	31.9025	+0.0985	880 - 170	31.9900	31.8040	31.9275	-0.9	31.9425	-0.5	32.0625	-0.5	106.1
Denmark	(DKr)	6.1296	+0.0282	270 - 325	6.1445	6.1082	6.1363	-1.3	6.1573	-1.8	6.2348	-1.7	105.0
Finland	(FM)	5.0336	+0.0142	286 - 386	5.0560	5.0154	5.0336	0.0	5.0411	-0.6	5.1036	-1.4	78.7
France	(FFr)	5.3096	+0.0214	077 - 115	5.3285	5.2897	5.3125	-0.7	5.3188	-0.7	5.2791	0.6	106.7
Germany	(D)	1.5486	+0.006	482 - 490	1.5523	1.5427	1.5488	-0.2	1.5488	-0.1	1.5448	0.2	107.4
Greece	(Dr)	235.630	+0.78	580 - 680	236.050	234.850	235.93	-1.5	236.605	-1.7	239.405	-1.6	69.3
Ireland	(I£)	1.5282	-0.006	253 - 270	1.5331	1.5224	1.5261	0.8	1.5212	1.3	1.4997	1.7	-
Italy	(L)	1577.76	+9.88	755 - 797	1583.25	1571.25	1582.31	-3.5	1592.76	-3.8	1648.76	-4.5	65.5
Luxembourg	(LFr)	31.9025	+0.0985	880 - 170	31.9900	31.8040	31.9275	-0.9	31.9425	-0.5	32.0625	-0.5	106.1
Netherlands	(Fl)	1.7365	+0.0055	360 - 370	1.7400	1.7299	1.7367	-0.2	1.7368	-0.1	1.7327	0.2	106.0
Norway	(NKr)	6.8133	+0.0295	123 - 143	6.8280	6.7811	6.8158	-0.4	6.8283	-0.9	6.7453	1.0	96.5
Portugal	(Es)	158.450	+0.55	300 - 600	158.700	157.860	159.4	-7.2	161.075	-6.6	168.45	-6.3	95.3
Spain	(Pta)	129.150	+0.575	060 - 240	129.490	128.920	129.455	-2.8	130.065	-2.9	133.08	-3.0	80.7
Sweden	(SKr)	7.6246	+0.0006	208 - 283	7.6609	7.6050	7.6441	-3.1	7.6846	-3.1	7.8946	-3.5	79.0
Switzerland	(SFr)	1.2956	+0.0024	951 - 960	1.2988	1.2895	1.2949	0.6	1.2934	0.7	1.2838	0.9	107.8
UK	(£)	1.5468	-0.0028	465 - 470	1.5538	1.5443	1.5465	0.2	1.5446	0.5	1.5323	0.9	86.8
Ecu	-	1.2287	-0.0062	282 - 292	1.2326	1.2255	1.2277	1.0	1.2268	1.0	1.217	1.0	-
SDR†	-	1.46345	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	+0.0001	994 - 995	0.9996	0.9994	-	-	-	-	-	-	-
Brazil	(R)	0.8840	+0.001	830 - 850	0.8850	0.8830	-	-	-	-	-	-	-
Canada	(C$)	1.3685	+0.0006	682 - 687	1.3695	1.3675	1.3691	-0.5	1.3708	-0.7	1.384	-1.1	83.1
Mexico	(New Peso)	3.3985	+0.002	960 - 010	3.4010	3.3960	3.3995	-0.4	3.4013	-0.3	3.4087	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3459	-0.0049	454 - 463	1.3503	1.3454	1.3462	-0.2	1.3469	-0.3	1.3542	-0.6	87.0
Hong Kong	(HK$)	7.7276	-	271 - 281	7.7281	7.7270	7.7274	0.0	7.7261	0.0	7.7431	-0.2	-
India	(Rs)	31.3725	+0.0025	700 - 750	31.3750	31.3700	31.4575	-3.3	31.6025	-2.9	-	-	-
Japan	(Y)	98.9650	+0.27	400 - 900	99.2500	98.7700	98.765	2.4	98.325	2.6	96.02	3.0	150.2
Malaysia	(M$)	2.5543	+0.0011	538 - 548	2.5580	2.5527	2.5451	4.3	2.5338	3.2	2.6073	-2.1	-
New Zealand	(NZ$)	1.6483	-0.0063	469 - 496	1.6573	1.6461	1.6493	-0.7	1.6511	-0.7	1.6564	-0.5	-
Philippines	(Peso)	26.3000	-0.025	500 - 500	26.5000	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0003	499 - 504	3.7504	3.7499	3.7515	-0.4	3.7556	-0.6	3.7742	-0.6	-
Singapore	(S$)	1.4999	+0.0001	994 - 004	1.4999	1.4994	1.4986	1.1	1.4967	0.9	1.4899	0.7	-
S Africa (Com.)	(R)	3.5653	-0.003	645 - 660	3.5785	3.5645	3.5806	-5.2	3.6091	-4.9	3.6858	-3.4	-
S Africa (Fin.)	(R)	4.5175	-0.0025	050 - 300	4.5250	4.5050	4.5512	-9.0	4.61	-8.2	-	-	-
South Korea	(Won)	801.250	-0.15	200 - 300	801.700	801.100	804.25	-4.5	807.75	-3.2	826.25	-3.1	-
Taiwan	(T$)	26.2053	+0.0053	015 - 090	26.2150	26.2015	26.2253	-0.9	26.2653	-0.9	-	-	-
Thailand	(Bt)	24.9700	-	650 - 750	24.9750	24.9650	25.0425	-3.5	25.17	-3.2	25.65	-2.7	-

†SDR rate for Sep 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 5. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.22	16.64	4.854	2.053	4945	5.442	21.34	496.6	404.7	23.90	4.060	2.027	4.289	3.135	310.1	2.550
Denmark	(DKr)	52.04	10	8.662	2.526	1.068	2574	2.832	11.11	258.4	210.6	12.44	2.113	1.055	2.232	1.632	161.4	1.327
France	(FFr)	60.08	11.55	10	2.916	1.234	2971	3.270	12.82	298.3	243.2	14.36	2.439	1.218	2.577	1.884	186.3	1.532
Germany	(DM)	20.60	3.959	3.429	1	0.423	1019	1.121	4.397	102.3	83.38	4.923	0.836	0.418	0.884	0.646	63.88	0.525
Ireland	(I£)	48.71	9.358	8.107	2.364	1	2409	2.651	10.39	241.9	197.1	11.64	1.977	0.987	2.089	1.527	151.0	1.242
Italy	(L)	2.022	0.389	0.337	0.098	0.042	100.	0.110	0.432	10.04	8.184	0.483	0.082	0.041	0.087	0.063	6.270	0.052
Netherlands	(Fl)	18.38	3.531	3.058	0.892	0.377	908.8	1	3.922	91.25	74.38	4.391	0.746	0.372	0.788	0.576	56.98	0.469
Norway	(NKr)	46.86	9.004	7.799	2.274	0.962	2317	2.550	10	232.7	189.6	11.20	1.902	0.950	2.009	1.469	145.3	1.195
Portugal	(Es)	20.14	3.870	3.352	0.978	0.413	995.9	1.096	4.298	100.	81.51	4.812	0.818	0.408	0.864	0.631	62.45	0.513
Spain	(Pta)	24.71	4.748	4.112	1.199	0.507	1222	1.345	5.273	122.7	100.	5.904	1.003	0.501	1.060	0.776	76.61	0.630
Sweden	(SKr)	41.85	8.042	6.965	2.031	0.859	2070	2.277	8.931	207.8	169.4	10	1.699	0.848	1.795	1.312	129.8	1.067
Switzerland	(SFr)	24.63	4.733	4.100	1.196	0.506	1218	1.340	5.257	122.3	99.70	5.886	1	0.499	1.056	0.772	76.39	0.628
UK	(£)	49.34	9.481	8.212	2.395	1.013	2440	2.685	10.53	245.0	199.7	11.79	2.003	1	2.116	1.547	153.0	1.258
Canada	(C$)	23.32	4.481	3.881	1.132	0.479	1153	1.269	4.976	115.8	94.38	5.572	0.947	0.473	1	0.731	72.31	0.595
US	($)	31.89	6.129	5.308	1.548	0.655	1577	1.736	6.807	158.4	129.1	7.621	1.295	0.646	1.368	1	98.90	0.813
Japan	(Y)	32.25	6.197	5.367	1.565	0.662	1595	1.755	6.882	160.1	130.5	7.706	1.309	0.654	1.383	1.011	100.	0.822
Ecu		39.22	7.537	6.528	1.904	0.805	1940	2.134	8.370	194.8	158.7	9.372	1.592	0.795	1.682	1.230	121.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6475	0.6450	-0.0039	0.6481	0.6442	45,319	98,307
Dec	0.6472	0.6447	-0.0039	0.6480	0.6442	11,793	26,392
Mar	-	0.6496	+0.0062	-	-	18	2,936

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0145	1.0113	-0.0040	1.0153	1.0089	16,516	58,427
Dec	1.0172	1.0179	-0.0041	1.0220	1.0150	3,956	14,038
Mar	-	1.0265	-	-	-	89	1,753

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7720	0.7715	-0.0025	0.7750	0.7700	20,163	36,205
Dec	0.7750	0.7727	-0.0030	0.7755	0.7720	5,021	9,374
Mar	-	0.7774	+0.0068	-	-	14	62

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5520	1.5452	-0.0102	1.5520	1.5436	12,265	36,224
Dec	1.5502	1.5422	-0.0110	1.5502	1.5420	1,306	3,516
Mar	-	1.5420	-	-	1.5420	3	183

EMS EUROPEAN CURRENCY UNIT RATES

Sep 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14150	-0.0011	-2.51	6.11	-
Belgium	40.2123	39.3585	-0.0093	-2.12	5.68	15
Germany	1.94964	1.90941	-0.00087	-2.06	5.62	-
Ireland	0.808628	0.808568	+0.001923	-0.01	3.45	0
France	6.53883	6.55080	+0.00155	0.18	3.25	-2
Portugal	192.854	195.232	-0.235	1.23	2.18	-8
Denmark	7.43679	7.56030	+0.00203	1.66	1.75	-11
Spain	154.250	159.555	-0.093	3.44	0.00	-24
NON ERM MEMBERS						
Greece	264.513	290.573	-0.074	9.85	-5.84	-
Italy	1793.19	1949.24	+7.16	8.70	-4.84	-
UK	0.786749	0.797689	-0.001552	1.39	2.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.450	9.67	9.57	9.55	-	-	0.05
1.475	7.18	7.16	7.26	-	0.02	0.19
1.500	4.66	4.87	5.15	-	0.67	0.65
1.525	2.34	2.87	3.34	0.06	1.66	1.22
1.550	0.58	1.42	1.98	0.79	3.25	2.29
1.575	0.04	0.57	1.05	2.67	5.34	3.79

Previous day's vol., Calls 5,530 Puts 4,802 . Prev. day's open int., Calls 608,244 Puts 437,743

WORLD INTEREST RATES

MONEY RATES

September 7	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	5⅜	5⅝	6½	7.40	4.50	-
week ago	4⅞	5¼	5½	5⅝	6⅜	7.40	4.50	-
France	5⅝	5½	5¾	5⅞	6¼	5.00	-	6.75
week ago	5⅝	5½	5¾	5⅞	6⅜	5.00	-	6.75
Germany	4.90	4.95	4.95	5.02	5.33	6.00	4.50	4.85
week ago	4.83	4.95	4.95	5.02	5.33	6.00	4.50	4.85
Ireland	4¾	5½	6¼	6⅝	7⅜	-	-	6.25
week ago	4¾	5½	6⅜	6⅝	7⅜	-	-	6.25
Italy	8½	8⅝	8⅞	9⅜	10⅜	-	7.50	8.45
week ago	8½	8⅝	8⅝	9¼	10⅜	-	7.50	8.45
Netherlands	4.84	4.97	5.03	5.17	5.51	-	5.25	-
week ago	4.84	4.97	4.99	5.11	5.41	-	5.25	-
Switzerland	3⅞	4⅛	4¼	4⅝	4¾	6.625	3.50	-
week ago	4	4⅛	4⅜	4½	4⅝	6.625	3.50	-
US	4¾	4¾	4¾	5⅛	5¾	-	4.00	-
week ago	4¾	4¾	4¾	5¼	5¾	-	4.00	-
Japan	2⅛	2½	2⅝	2⅝	2¾	-	1.75	-
week ago	2⅛	2½	2⅝	2⅝	2¾	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	4⅞	5	5⅜	5⅝	-	-	-
week ago	-	4⅞	5	5⅜	5⅝	-	-	-
US Dollar CDs	-	4.65	4.80	5.07	5.58	-	-	-
week ago	-	4.65	4.80	5.07	5.58	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3½	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5⅝ - 5½	6 - 5⅞	6½ - 6⅜
Danish Krone	5¼ - 4⅞	5 5/16 - 5 3/16	6 - 5⅞	6⅜ - 6¼	7¼ - 7	7 9/16 - 7 5/16
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 9/16 - 5 7/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 3/16 - 5 1/16	5 9/16 - 5 7/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5½ - 5⅜	5⅝ - 5½	6 - 5⅞	6 7/16 - 6 5/16
Portuguese Esc.	12⅛ - 11⅞	10 - 9¾	10¾ - 10½	11½ - 10¾	11¼ - 10¾	11¾ - 11¼
Spanish Peseta	7½ - 7⅜	7 7/16 - 7⅜	7⅝ - 7⅜	7 15/16 - 7¾	8 5/16 - 8⅛	8 11/16 - 8½
Sterling	5¼ - 5⅛	5 5/16 - 4 13/16	5⅛ - 5	5 19/32 - 5 17/32	5 31/32 - 5 29/32	6 11/16 - 6⅜
Swiss Franc	3⅞ - 3⅝	4 - 3¾	4⅛ - 4	4¼ - 4⅛	4½ - 4⅜	4 13/16 - 4 11/16
Can. Dollar	5⅛ - 4⅞	5¼ - 5⅛	5 3/16 - 5 1/16	5 13/16 - 5 11/16	6⅜ - 6¼	7¼ - 7⅛
US Dollar	4¾ - 4⅝	4 13/16 - 4 11/16	4⅞ - 4¾	5 - 4⅞	5 5/16 - 5 3/16	5 13/16 - 5 11/16
Italian Lira	9 - 7½	8¼ - 8	8⅝ - 8⅛	8 13/16 - 8 11/16	9 5/16 - 9 3/16	10⅝ - 10½
Yen	2 5/16 - 2⅛	2⅜ - 2⅛	2⅝ - 2½	2 13/16 - 2 11/16	2½ - 2⅜	2⅞ - 2 11/16
Asian $Sing	3⅞ - 3¼	3⅞ - 3¼	4 1/16 - 4 5/16	4¼ - 4⅛	5⅜ - 5 1/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.32	94.33	+0.02	94.34	94.31	6,580	42,814
Dec	93.84	93.83	-	93.86	93.79	18,354	45,936
Mar	93.44	93.43	-0.01	93.46	93.39	7,664	28,960
Jun	93.13	93.12	-0.02	93.16	93.08	2,939	27,505

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.97	-	94.97	94.97	100	2801
Dec		94.30	0.01			0	2003
Mar		93.98	-0.02			0	1436
Jun		93.64	-0.04			0	334

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.96	94.98	+0.02	95.00	94.96	10524	130613
Dec	94.77	94.81	+0.05	94.83	94.76	32675	173923
Mar	94.39	94.42	+0.03	94.45	94.38	30757	168406
Jun	94.05	94.06	+0.04	94.09	94.01	18980	107231

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.00	91.06	+0.09	91.10	90.98	3552	21397
Dec	89.72	89.73	+0.07	89.78	89.60	7439	33577
Mar	89.07	89.10	-0.03	89.14	89.02	1793	17932
Jun	88.75	88.70	-0.01	88.77	88.64	1028	13836

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.69	95.76	+0.07	95.76	95.69	2107	16327
Dec	95.28	95.36	+0.08	95.36	95.28	4819	16241
Mar	95.03	95.07	+0.09	95.07	94.99	401	11214
Jun	94.70	94.76	+0.06	94.77	94.70	89	5970

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.02	94.03	+0.02	94.05	94.01	807	9056
Dec	93.41	93.41	+0.02	93.43	93.39	1128	6517
Mar	93.02	92.99	+0.01	93.02	92.95	576	3943
Jun	92.60	92.57	-	92.61	92.56	220	1586

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.97	-	94.98	94.96	26,926	399,229
Dec	94.29	94.31	+0.01	94.31	94.29	93,318	500,527
Mar	93.99	94.00	-	94.01	93.98	50,982	384,915

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.39	95.41	+0.02	95.41	95.39	3,094	9,411
Dec	94.86	94.88	+0.02	94.88	94.86	53498	10,370
Mar	94.51	94.51	-	94.51	94.51	35	4,305

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9475	0.23	0.13	0.15	0.18	0	0.07	0.09	0.12
9500	0.03	0.03	0.05	0.07	0.05	0.22	0.24	0.26
9525	0	0.01	0.02	0.02	0.27	0.45	0.46	0.46

Est. vol. total, Calls 2445 Puts 5895. Previous day's open int., Calls 259031 Puts 191568

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9575	0.05	0.02	0.08	0.04	0.41	0.78
9600	0	0.01	0.05	0.24	0.65	0.98
9625	0	0	0.02	0.49	0.89	1.20

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2305 Puts 1799

UK INTEREST RATES

LONDON MONEY RATES

Sep 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4⅝	5 - 4 13/16	5 1/16 - 4 15/16	5½ - 5⅜	6 - 5⅞	6⅞ - 6¾
Sterling CDs	-	-	5 1/16 - 4 31/32	5 15/32 - 5 13/32	5⅞ - 5 13/16	6 13/16 - 6 11/16
Treasury Bills	-	-	4 15/16 - 4⅞	5 7/16 - 5⅜	-	-
Bank Bills	-	-	5 - 4 15/16	5 7/16 - 5⅜	5⅞ - 5 13/16	-
Local authority deps.	5 1/16 - 4 13/16	5 1/16 - 4 15/16	4 15/16 - 4 13/16	5⅜ - 5⅜	5 13/16 - 5 11/16	6 13/16 - 6 11/16
Discount Market deps	5½ - 4⅞	4 15/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3588pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Scheme II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Scheme IV & V 5.578pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.37	94.39	+0.05	94.40	94.36	19596	87448
Dec	93.48	93.55	+0.10	93.57	93.47	46323	161969
Mar	92.68	92.72	+0.05	92.75	92.67	12204	78232
Jun	92.11	92.14	+0.05	92.16	92.08	5805	54061

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.19	0.04	0.02	0.05	0.74	1.55
9450	0.04	0.01	0.01	0.15	0.96	1.79
9475	0	0	0	0.36	1.20	2.03

Est. vol. total, Calls 9163 Puts 7955. Previous day's open int., Calls 355823 Puts 292696

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	* In administration	
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 7 / Sch)

BELGIUM/LUXEMBOURG (Sep 7 / Frs.)

DENMARK (Sep 7 / Kr)

FINLAND (Sep 7 / Mks)

FRANCE (Sep 7 / Frs.)

GERMANY (Sep 7 / Dm.)

ITALY (Sep 7 / Lire)

NETHERLANDS (Sep 7 / Fls.)

NORWAY (Sep 7 / Kroner)

SPAIN (Sep 7 / Pts.)

SWEDEN (Sep 7 / Kroner)

SWITZERLAND (Sep 7 / Frs.)

PACIFIC

JAPAN (Sep 7 / Yen)

AUSTRALIA (Sep 7 / Aus$)

HONG KONG (Sep 7 / H.K.$)

MALAYSIA (Sep 7 / MYR)

SINGAPORE (Sep 7 / S$)

NORTH AMERICA

CANADA

TORONTO (Sep 7 / Can $)
4 pm close

MONTREAL (Sep 7 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Sep 7 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, September 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.6m	367	–5	Kawasaki Steel	4.0m	423	–1
Mitsubishi Hvy	6.5m	780	–8	Sharp	3.9m	1780	–20
Tokio M&F Ins	5.1m	1220	–20	Sumitomo Mtl	3.7m	319	–11
Chiyoda F&M Ins	4.2m	700	–5	NKK Corp	3.6m	279	–8
NEC Corp	4.0m	1200	–10	Nomura Secs	3.5m	2150	–50

INDICES

US INDICES

Dow Jones	Sep 6	Sep 2	Sep 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3898.70	3885.58	3901.44	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.18	98.18	98.04	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1624.98	1627.96	1639.48	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.59	184.55	185.67	227.08 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3916.55 (3926.64) Low 3860.01 (3871.98) (Theoretical♣)
Day's high 3898.70 (3918.92) Low 3877.17 (3880.72) (Actual♣)

Standard and Poors	Sep 6	Sep 2	Sep 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	471.86	470.99	473.17	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	554.81	553.27	555.93	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	48.27	48.18	46.36	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	260.11	259.93	260.98	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	456.00	455.54	454.02	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	759.48	759.23	758.95	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 2	Aug 26	Aug 19	Year ago
Dow Jones Ind. Div. Yield	2.63	2.64	2.73	2.80
	Aug 31	Aug 24	Aug 17	Year ago
S & P Ind. Div. yield	2.33	2.37	2.43	2.46
S & P Ind. P/E ratio	21.11	20.73	23.51	27.86

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	471.35	472.20	+0.80	472.35	471.35	60,858	160,091
Dec	474.60	474.70	+0.85	474.80	474.35	19,412	88,000
Mar	-	477.90	-	477.90	-	201	4,585

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1980.0	1972.0	+8.0	1988.0	1962.0	27,543	29,161
Oct	1989.0	1982.0	+8.0	1992.5	1974.0	-	9,981
Dec	2016.0	2001.0	+8.5	2016.0	1993.0	1,205	4,136

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Amer Express	3,814,100	30⅝	+1⅝
RJR Nabisco	2,934,500	6¾	-⅛
Lilco	2,862,400	15⅝	-¾
Amer Barrick	2,592,800	23⅝	+⅜
Glaxo	2,455,300	19⅝	-⅛
Compaq	2,424,000	35⅝	+⅝
Gen Motors	2,277,300	52¼	+2⅛
Telefonos	1,971,300	63	+⅝
Philip Morris	1,800,700	61	+¼
Ford Motor	1,788,200	30	+⅜

■ TRADING ACTIVITY

● Volume (million)	Sep 6	Sep 2	Sep 1
New York SE	201.169	213.883	280.443
Amex	12.711	13.897	14.828
NASDAQ	187.857	294.767	294.767
NYSE			
Issues Traded	2,842	2,829	2,873
Rises	963	940	844
Falls	1,130	1,068	1,298
Unchanged	749	821	731
New Highs	45	47	49
New Lows	34	26	29

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close September 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅛	AAR	0.48	3.8	21	143	13	d12¾	12⅞	-⅛
16⅞	12⅝	A L Labs A	0.18	1.1	36	355	15⅞	15⅝	15⅞	+⅛
75¼	57⅝	AMP	1.68	2.3	25	1567	73	71¾	72⅝	+⅝
72¾	52⅛	AMR			103	1257	58⅞	58⅛	58¼	-⅛
5	3⅞	ARX			14	131	4⅛	4	4⅛	+⅛
56⅛	38⅝	ASA	2.00	3.9	33	2059	52⅝	51⅛	51⅞	-¾
31⅛	25⅞	AbbtL	0.76	2.5	17	11524	30½	29¾	30¼	+⅝
14½	11⅞	Abitibi Pr	0.50	3.6	10	z100	14⅞	14⅞	14⅞	
23⅝	17¾	ABM Ind	0.52	2.3		25	22⅝	22½	22⅝	+⅛
15⅛	11⅛	Acpincalo			27	451	15	14¾	15	
31	22⅝	ACE Ltd	0.44	1.9	26	2066	23¼	22¾	23⅛	+½
12½	9⅝	ACM Gvt In x	1.09	10.9		238	10	9⅞	10	
10⅛	7¾	ACM GvOpp x	0.80	11.0		193	7⅞	d7¾	7¾	
10⅝	7½	ACM Gvt Sp x	0.96	12.4		142	7⅞	7¾	7¾	
12	8¾	ACM Gvt Sa x	1.09	12.3		119	9	8⅞	8⅞	
11¾	8⅝	ACM Man x	1.08	12.3		94	9	8¾	8¾	-⅛
9¼	8	ACM Managd x	0.72	9.0		18	8	d8	8	
15½	9¾	AcmeCly	0.44	3.7	14	67	12⅛	12	12	-¼
9⅞	6½	Acme Elect			8	67	9⅞	9⅛	9⅞	+½
28¾	23	Acordia x	0.60	2.2	13	13	27⅞	27	27⅞	+⅞
13¾	5¾	Actava	0.36	3.1	3	333	11⅝	11⅞	11⅝	+⅛
15⅝	11¼	Acuson			108	236	14¼	13⅞	14⅛	+¼
18⅛	16½	Adams Expr	0.48	2.7	0	92	17⅞	17½	17½	-⅛
64	46½	Adv Micro x	3.00	5.3		178	57½	57	57	-¾

Continued on next page

4 pm close September 7

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
9⅜	5	Salant Crp			6	67	5¼	5⅛	5⅛	-¼
49⅞	32⅝	Sallie Mae x	1.40	3.7	7	1988	38⅜	38	38¼	+⅛
13⅞	11⅞	Salomon Br	0.32	2.5		390	12¾	12⅝	12⅝	
52¾	41½	Salomn	0.64	1.5	5	1940	43¼	42⅞	43⅛	+⅛
25	17½	SnDgGE x	1.52	8.1	10	608	19⅛	18⅝	18¾	-¼
10	7½	SantaFeERs	0.16	1.7	9	637	9½	9⅜	9⅜	-⅛
17⅝	13½	SFeGd				6367	17¼	16¾	17	-⅛
40	31½	SantaFePac	2.80	7.9	16	17	35¾	35½	35½	-⅛
28¼	18½	SanFeP	0.10	0.5	12	7091	22⅝	d12⅝	22¼	-¼
25	19⅞	SaraLee x	0.64	2.9	14	6145	22	21⅝	21¾	
50¼	42⅛	Scana Corp x	2.82	6.4	11	244	44¾	44¼	44¼	-⅜
20½	12½	Scecp	1.00	7.6	9	7862	13½	13⅛	13⅛	-¼
40⅞	31¼	SchererRP			31	207	40⅝	40⅜	40⅝	+¼
71⅞	54½	SchrPl	2.04	3.0	16	2783	68⅜	68¾	68⅛	-¼
63	50¾	Schlmb x	1.20	2.1	23	6516	57¼	56⅝	56¾	+⅛
39⅞	23¾	Schwab(C)	0.28	1.0	13	397	29⅝	29	29¼	+¼
10¾	6⅛	Schwitzer			24	22	8⅝	8⅝	8⅝	+⅛
45	24⅞	SciAtl x	0.12	0.3	89	1601	44⅝	43¾	44½	+½
16⅞	13	Scotsman	0.10	0.6	14	24	15⅝	15½	15½	
65⅞	37¼	ScottP	0.80	1.2	17	2834	65¼	64⅝	64⅝	-1
28⅝	18⅝	ScudderNAsF	0.21	0.8		102	26½	25⅜	25½	
12⅝	9½	ScudderNEuF	0.16	1.5		397	10⅜	10⅛	10⅝	
18¼	13½	SeaCnB	0.70	4.1	8	56	17¼	17	17¼	+¼
16½	14⅜	SeaC1.4625 x	1.46	9.4		2	15½	15½	15½	+⅛
32⅞	26¼	Seagrm	0.60	1.9	40	2712	31¾	31¼	31¼	-⅜
29¾	22¾	Seagull En			32	1627	25⅛	24⅞	24⅞	+⅝
36¼	26⅝	Sealed Air			28	609	35⅝	35½	36½	
55⅛	42⅛	SearsR x	1.60	3.3	7	2870	47⅞	47⅛	47⅞	+⅜
19¾	11¼	Seligm Sel	0.84	7.1		113	11⅞	11¾	11¾	
[illegible]										

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
53¾	40	Xtra Corp	0.56	1.1	22	20	49⅞	49⅝	49⅞	+¼
25½	20	Yankee Egy x	1.22	5.6	12	125	21¾	21½	21¾	+⅛
42½	33⅞	York Int	0.16	0.4	20	822	41	40¼	40⅞	-⅛
5½	1	Zapata	0.14	3.0		238	4⅝	4½	4⅝	
13½	7	ZnithEl			5	855	10¾	10⅜	10⅜	-⅜
27⅞	20⅝	Zenith Nat	1.00	4.0	9	47	25⅛	25	25	-¼
7⅞	6⅝	Zenix Inc	0.83	11.6		86	7⅛	7⅛	7⅛	
18⅛	11⅞	Zero	0.40	3.1	15	33	12⅞	12¾	12⅞	+⅛
29¾	16⅞	Zura Ind	0.88	4.6	16	111	19½	18⅞	19	
13⅞	11⅝	Zweig Fund	1.08	9.1		90	11⅞	d11¾	11⅞	+⅛
10¾	8¼	Zweig Totl	0.84	9.7		231	8¾	8⅝	8⅝	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 7

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 7

[illegible]

AMERICA

Second-tier data fail to influence sentiment

Wall Street

US stocks drifted lower yesterday morning as investors looked to a sagging bond market for guidance, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 4.71 easier at 3,893.99, while the more broadly based Standard & Poor's 500 was down 0.30 at 471.56.

Volume remained light, with 164m shares traded on the Big Board by early afternoon. Many investors were taking the day off in observance of Rosh Hashanah, the Jewish new year. Declining issues led advances by 1,036 to 943.

In the secondary markets, the Nasdaq composite outperformed other leading indices, climbing 3.70 to 763.18 on the back of a firming trend by technology stocks. But the American SE composite receded 0.64 to 455.36.

The morning brought a smattering of second-tier economic data, none of which had much influence on market sentiment.

In a mildly unfavourable development, the Labor Department revised downward its estimate of the decline in second-quarter non-farm productivity to 2.5 per cent, the largest drop since the first three months of 1989. Meanwhile, unit labour costs were revised up to a 3.4 per cent increase, suggesting stronger inflationary pressures.

That news offered bond traders no encouragement to buy ahead of Friday's keenly awaited producer price data. As a consequence, the long end of the Treasury yield curve was showing moderate losses by midsession, with many accounts preferring to stay on the sidelines until after the release of the inflation report.

The same trend was evident in stocks. Trading in the Dow industrials was unusually quiet. By early afternoon, none of the index components was showing much movement in either direction. The exception was DuPont, which shed $1 to $59 in moderate volume of 1m shares.

Elsewhere, Caterpillar dipped $½ to $55½, Disney appreciated $⅝ to $42⅞ and International Business Machines added $¼ to $68.

The retailing sector showed at least one spark of life. Circuit City Stores, a home electronics chain, jumped $2 to $26¼ after announcing that sales in outlets opened at least a year had risen 16 per cent last year. The company also forecast a 27 per cent surge in net income in its current fiscal quarter.

On the negative side, shares in Jones Apparel dropped $2⅞ to $22⅞ on a downgrading by Merrill Lynch. The company's outlook was clouded by the resignation of its president, announced a day earlier.

Warner-Lambert, the drugs and consumer products marketer, continued to be buffeted by takeover speculation. Yesterday profit-takers prevailed, pushing the share price down $1 to $82. Humana, the hospital operator, was marked up $1⅛ to $21⅞.

The technology sector was the liveliest of a lacklustre lot. Stocks across the board were showing solid gains, though analysts were unable to link the improvement to any specific development.

On the Nasdaq, Lotus Development jumped $2⅞ to $44⅛, Microsoft climbed $1½ to $57⅞ and Cyrix added $1⅞ at $39¼.

Canada

Toronto slipped at midday on a softening of bond prices and a mild revival of interest rate fears. The TSE 300 composite index fell 19.23 to stand at 4,327.94 at noon in volume of 34.4m shares.

Precious metals gave up early gains which had helped to prop up other sagging sectors, the gold and silver group rising just 1.81 to 10,296.85 after an earlier 10,423.23. Pipelines led other sectors down, falling 39.39, or 1 per cent, to 3,891.32, with Westcoast Energy down C$⅝ to C$22 in busy trade.

Mexico

Shares were higher in early trade in a continuation of the technical rebound that began on Tuesday after eight straight losing sessions. The IPC index put on 18.8 at 2,722.87 as the market ignored a third consecutive weekly rise in the bellwether 28 day cetes – or treasury bill – rates.

Telmex A shares gained 2.3 per cent and the L shares were 1.1 per cent higher. In New York, the Telmex ADRs were quoted $½ ahead at $63⅛.

Among the biggest gainers, Autlan A shares rose 3.7 per cent, Sidek put on 3.2 per cent and Gfnorte was 3.0 per cent higher.

S Africa golds overcome early profit-taking

Gold shares shrugged off initial profit-taking in Johannesburg to climb again as bullion pushed towards $390 an ounce. Turnover had slowed from Tuesday's higher levels but sentiment remained positive amid expectations of further gold price strength in the medium term.

But analysts warned that profits were likely to be taken on any short term dips in the bullion price after the recent hefty gains, which have seen the golds index rise by more than 200 points since the start of trade last Friday.

Golds yesterday climbed 33 to 2,535 and the overall index added 45 at 6,054. Industrials put on 18 at 6,680, led again by Iscor, which finished 25 cents higher at a new peak of R4.85.

De Beers was 75 cents firmer at R110.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	September 2 1994	% Change over week	% Change on Dec '93	September 2 1994	% Change over week	% Change on Dec '93
Latin America	(209)	748.83	+0.2	+15.1			
Argentina	(25)	947.67	+2.6	-2.0	538,081.13	+2.6	-2.0
Brazil	(57)	416.31	+3.2	+78.9	1,380,182,959	+3.0	+1,258.2
Chile	(25)	716.97	-0.4	+29.9	1,199.53	-0.6	+25.8
Colombia[1]	(11)	942.86	+13.8	+46.2	1,362.79	+13.7	+47.0
Mexico	(68)	956.86	-3.2	-4.9	1,394.03	-3.3	+3.3
Peru[2]	(11)	152.48	+3.8	+26.1	208.86	+4.7	+31.3
Venezuela[3]	(12)	557.05	+3.7	-5.9	2,176.97	+3.7	+53.2
Asia	(557)	281.21	+3.2	-3.4			
China[4]	(18)	106.36	+4.1	-28.7	115.00	+3.9	-29.9
South Korea[5]	(156)	131.75	-0.2	+11.5	138.61	-0.4	+10.4
Philippines	(18)	315.70	-0.6	-7.3	399.12	-0.2	-10.1
Taiwan, China[6]	(90)	159.05	+2.1	+17.6	156.74	+1.5	+17.2
India[7]	(76)	142.84	+2.7	+22.6	158.01	+2.7	+22.7
Indonesia[8]	(37)	111.65	+2.2	-10.4	131.64	+2.7	-7.5
Malaysia	(105)	314.67	+3.7	-7.2	296.06	+3.7	-12.1
Pakistan[9]	(15)	389.94	-1.8	+0.5	540.64	-1.8	+2.4
Sri Lanka[10]	(5)	187.48	+1.5	+5.8	201.58	+2.1	+5.6
Thailand	(55)	444.35	+6.8	-7.0	441.79	+7.0	-8.6
Euro/Mid East	(125)	122.08	-1.8	-27.9			
Greece	(25)	222.46	+1.5	-2.3	356.38	+0.4	-7.3
Hungary[11]	(5)	190.51	-3.4	+14.3	250.52	-2.2	+24.1
Jordan	(13)	158.35	-3.2	-5.6	225.13	-2.5	-6.0
Poland[12]	(12)	663.01	-8.8	-18.9	968.54	-7.7	-12.3
Portugal	(25)	128.40	+3.1	+12.8	140.16	+1.9	+1.5
Turkey[13]	(40)	120.95	-4.6	-43.1	1,919.30	-1.5	+31.9
Zimbabwe[14]	(5)	265.03	+1.8	+31.1	317.93	+2.4	+48.8
Composite	(891)	366.45	+1.4	+3.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Warsaw's Wig index, already down by 55 per cent from its peak in March, has been under pressure again this week as foreign and local investors found their own reasons to shun the market.

Foreign investors have been keeping a wary eye on the growing row over the independent role of the central bank, while local investors have been sidetracked by a heavy calendar of new issues and privatisation offers, which will culminate with the sale of the large state-owned Bank Przemyslowo-Handlowy, probably in December.

However, Mr Stephen Pettyfer at Smith New Court believes that some respite could be at hand. He notes that next week should bring the resolution of Poland's bank debt restructuring with its London Club creditors, while restrictions on foreign purchases of shares in a number of strategically important companies should also be lifted. In addition, the local market will be receiving refunds after the oversubscribed privatisation of Stalexport, the foreign trade enterprise. Smith expects the Wig index to trade between its current level, of 9,274 points, and 13,500 points until the end of the year.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 6 1994								MONDAY SEPTEMBER 5 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	177.62	0.4	169.94	110.81	142.45	159.56	0.3	3.46	176.86	169.38	110.86	142.86	159.07	189.15	139.24	143.25
Austria (17)	196.54	0.6	188.03	122.61	157.62	157.82	0.0	1.01	195.33	187.07	122.54	157.77	157.67	196.54	164.64	180.43
Belgium (37)	176.48	-0.1	168.84	110.10	141.54	138.42	-0.7	3.99	176.63	169.17	110.81	142.67	139.45	177.04	143.62	151.89
Canada (104)	135.77	0.0	129.88	84.70	108.88	134.48	0.2	2.50	135.80	130.07	85.20	109.70	134.21	146.31	120.54	127.03
Denmark (33)	258.03	-0.1	246.86	160.97	206.93	214.20	-0.5	1.39	258.33	247.42	162.07	208.67	216.33	275.79	223.94	231.42
Finland (24)	178.48	0.3	170.78	111.35	143.14	188.01	-0.4	0.74	178.00	170.48	111.67	143.78	188.83	179.30	104.28	107.26
France (97)	173.09	-0.9	165.60	107.98	138.81	143.58	-1.6	3.07	174.73	167.35	109.62	141.14	145.90	185.37	150.34	170.50
Germany (58)	148.77	0.2	142.33	92.81	119.31	119.31	-0.6	1.73	148.50	142.22	93.16	119.95	119.95	149.54	124.39	128.67
Hong Kong (56)	409.79	0.7	392.06	255.66	328.65	406.56	0.7	3.01	406.82	389.64	255.23	328.62	403.63	506.56	292.08	296.97
Ireland (14)	216.60	0.2	207.22	135.13	173.71	199.20	0.2	3.18	216.13	207.00	135.59	174.58	198.77	216.60	161.54	173.05
Italy (59)	80.91	-1.3	77.41	50.48	64.89	94.75	-1.4	1.64	81.95	78.49	51.41	66.20	96.12	97.78	57.88	77.42
Japan (469)	163.18	0.3	156.12	101.80	130.87	101.80	-0.3	0.75	162.74	155.86	102.10	131.45	102.10	170.10	124.54	161.78
Malaysia (97)	571.15	1.4	546.43	356.32	458.06	561.62	1.4	1.48	563.51	539.71	353.53	455.18	553.85	621.63	392.03	408.98
Mexico (18)	2219.06	-0.9	2123.01	1384.40	1779.84	8240.66	-0.5	1.62	2239.91	2145.27	1405.26	1809.28	8282.53	2647.08	1615.11	1760.32
Netherland (27)	217.88	-0.1	208.45	135.93	174.74	172.14	-0.8	3.33	218.19	208.98	136.89	176.25	173.61	218.19	180.25	187.18
New Zealand (14)	75.60	0.1	72.33	47.16	60.63	66.50	0.1	3.59	75.50	72.31	47.37	60.98	66.44	77.59	59.22	60.70
Norway (22)	207.73	0.9	198.74	129.60	166.60	191.27	0.4	1.73	205.91	197.21	129.18	166.33	190.58	211.74	165.62	177.15
Singapore (44)	369.59	0.4	353.60	230.58	296.41	255.44	0.4	1.66	368.17	352.61	230.98	297.39	254.46	378.92	285.31	290.46
South Africa (59)	311.47	1.1	297.98	194.31	249.79	307.71	1.0	2.06	308.11	295.09	193.30	248.87	304.73	311.47	175.93	188.44
Spain (42)	137.22	-1.1	131.28	85.61	110.05	133.86	-1.6	4.31	138.80	132.94	87.08	112.12	135.87	155.79	128.88	139.43
Sweden (36)	221.61	0.3	212.02	138.26	177.73	250.11	-0.4	1.59	220.90	211.57	138.58	178.44	251.02	231.35	176.83	191.95
Switzerland (47)	167.65	0.3	160.40	104.59	134.45	134.41	-0.7	1.81	167.18	160.11	104.88	135.04	135.37	176.56	135.70	136.41
United Kingdom (204)	202.79	-0.9	194.01	126.51	162.63	194.01	-1.0	3.90	204.66	196.01	128.40	165.32	196.01	214.96	181.11	190.28
USA (517)	192.49	0.1	184.16	120.09	154.37	192.49	0.1	2.81	192.21	184.09	120.58	155.25	192.21	198.04	178.85	186.56
EUROPE (718)	174.98	-0.5	167.40	109.16	140.33	155.86	-1.0	2.98	175.89	168.46	110.35	142.08	157.39	178.58	153.98	159.21
Nordic (116)	218.72	0.2	209.25	136.45	175.41	210.26	-0.4	1.41	218.18	208.96	136.88	176.23	211.02	222.03	173.19	180.48
Pacific Basin (748)	173.37	0.3	165.87	108.16	139.04	113.18	-0.1	1.06	172.77	165.47	108.39	139.56	113.32	176.86	134.79	166.62
Euro-Pacific (1466)	173.92	0.0	166.39	108.50	139.48	130.17	-0.5	1.88	173.98	166.61	109.14	140.51	130.80	175.14	143.88	162.87
North America (621)	188.97	0.1	180.79	117.89	151.55	188.49	0.1	2.80	188.70	180.73	118.39	152.43	188.21	192.73	175.67	184.75
Europe Ex. UK (514)	156.29	-0.3	149.52	97.50	125.34	133.74	-0.9	2.42	156.73	150.11	98.33	126.60	135.01	168.12	134.97	139.47
Pacific Ex. Japan (279)	271.67	0.7	259.91	169.49	217.89	241.80	0.7	2.68	269.70	258.31	169.20	217.86	240.12	296.21	200.13	203.71
World Ex. US (1647)	175.53	0.0	167.93	109.51	140.77	134.00	-0.4	1.89	175.55	168.13	110.14	141.80	134.58	176.65	145.58	162.90
World Ex. UK (1960)	177.91	0.1	170.21	110.99	142.68	147.99	-0.1	2.03	177.65	170.14	111.45	143.49	148.21	178.59	155.96	168.60
World Ex. So. Af. (2105)	179.28	0.0	171.52	111.84	143.78	150.97	-0.2	2.22	179.22	171.65	112.44	144.77	151.36	180.03	158.54	170.44
World Ex. Japan (1695)	191.18	-0.1	182.90	119.27	153.32	181.75	-0.2	2.83	191.28	183.20	120.00	154.51	182.14	195.20	174.04	177.13
The World Index (2164)	180.11	0.0	172.31	112.36	144.44	152.11	-0.2	2.22	180.03	172.42	112.95	145.42	152.47	180.80	158.85	170.43

Please note. This stock price indicators. A revised list to that published in the Financial Times (8/9/94) is now available from NatWest Securities Limited and Goldman, Sachs and Co. Brazil clarification. Aramus Celulosa only Preference 'B' line to be included. Latest prices were unavailable for this edition.

EUROPE

Bonds exert varied influence on bourses

Bond markets had a more varied influence on equities than on Tuesday, *writes Our Markets Staff.*

FRANKFURT's bond and equity markets responded only fleetingly to a newspaper interview of Mr Hans Jürgen Krupp, a Bundesbank council member, who appeared to be saying that rates could be cut now, allowing Buba room for manoeuvre when the time comes to raise them again.

The reaction itself was fairly tepid. The Dax index, which had closed the session down 2.08 at 2,163.82, saw a peak of 2,172.97 in the afternoon but closed the day at an Ibis-indicated 2,167.68, with bonds on their way down again. A little after the equity market ended, the September bund future was back in dangerous territory, below the 90 mark at 89.91 and 15 basis points lower on the day.

Turnover rose from DM4.9bn to DM5.4bn. In the automotive sector, BMW pleased analysts with the news that it will introduce extra working shifts and create additional jobs to meet a high level of demand in the second half of the year. On the session, the shares rose just DM4.50 to DM815 but they improved further to DM817.80 after hours.

PARIS moved its bonds up and down, rather more gently than their Frankfurt counterparts, and equities ended flat after early gains of around a percentage point. The CAC-40 index finished 2.75 higher at 1,964.20 in turnover of FFr3.46bn.

Here, some company results had more effect. Promodes, the retailer, rose FFr12 to FFr936 as it saw an increase exceeding 15 per cent in 1994 net. Total, the oil company, ended FFr3.70 stronger at FFr307.90 on a higher first-half net.

Elf Aquitaine went with Total, up FFr4.10 at FFr399, partly on a newspaper report that it stood to make FFr1.3bn on the divesting of part of its stakes in the petrochemical engineering companies Technip and Coflexip. Elf had no comment to make.

ZURICH largely overlooked the weak dollar and bond market, foreign demand outweighing profit-taking by local investors as the SMI index climbed 10.1 to 2,662.5.

Ciba bearers rose SFr12 to SFr804: Bear Stearns initiated coverage of the major Swiss pharmaceutical stocks this week with a buy rating on Ciba.

Ascom, the troubled telecommunications group due to release half-year figures today, fell SFr70 to SFr1,510.

MILAN saw a good performance in domestic bond futures, but its equity market was depressed by comments from the treasury minister Mr Lamberto Dini that the country's creaking pensions system faced a higher deficit this year than earlier expected. The Comit index slipped 4.60 to 658.39 in very quiet trading.

The mood was also soured by domestic funds lightening their portfolios, after news of a L78bn net outflow from investment funds during August raised worries about liquidity.

Generali, a potential beneficiary of pension reform, bucked the downward trend, picking up L318 to L40,764, after testing support at L40,000.

Among telecommunications issues, Telecom Italia fell L35 to L4,370 and Stet gave up L80 to L4,750.

MADRID seemed to like a commment from the Spanish economy minister Mr Pedro Solbes that interest rates were too high compared with Germany's – at a premium of around 385 basis points – and that it should be possible to reduce them in the coming months.

The domestic bond market improved and the general index recovered 3.19 to 298.27. Turnover was much healthier at Pta32.5bn, but a big block trade in Asturiana de Zinc accounted for about a third of that as 7.07m shares, or 23 per cent of its share capital, went through the market at Pta1,500 a share.

AMSTERDAM took its cue from the latest round of company results as the AEX index firmed 0.89 to 415.17.

Ahold, the retailer, rose Fl 1.30 to Fl 49.70 in heavy turnover after its better than expected second-quarter figures on Tuesday, and Grolsch, the brewer, gained 80 cents at Fl 50.80 after a better than expected first half.

Cap Volmac, the computer services group, added Fl 1.20, or 6 per cent, at Fl 21.70 after its upbeat profits forecast.

ISTANBUL fell 6.8 per cent on domestic political worries, the composite index closing 1,769.48 lower at 24,347.98 after one Turkish deputy resigned, and another put in a request to do so, bringing the level of vacant seats to 22 – just one below the level at which mandatory by-elections would be triggered.

Economists and traders worried that any election campaign could force the ruling coalition to water down its tough stabilisation programme, raising subsidies and easing economic policies to win votes.

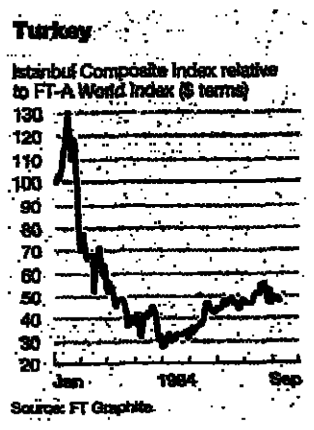
FT-SE Actuaries Share Indices

Sep 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1373.50	1374.65	1371.42	1369.60	1370.06	1370.17	1371.20	1371.13
FT-SE Eurotrack 200	1430.06	1432.70	1430.74	1429.53	1430.62	1431.12	1431.51	1429.33

THE EUROPEAN SERIES

	Sep 6	Sep 5	Sep 2	Sep 1	Aug 31
FT-SE Eurotrack 100	1371.03	1380.11	1401.66	1396.82	1406.52
FT-SE Eurotrack 200	1427.57	1438.12	1451.57	1450.09	1460.56

Base 1000 (26/10/90): High/day: 100 - 1374.94; 200 - 1433.43 Low/day: 100 - 1369.63 200 - 1428.38 † Partial



Source: FT Graphite

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Japan Telecom drop depresses confidence

Tokyo

A plunge in Japan Telecom shares depressed confidence, and the Nikkei 225 average lost 1.8 per cent, *writes Emiko Terazono in Tokyo.*

The index ended 370.18 down at the day's low of 20,023.80. It opened at the session's best of 20,364.47 and slid as the fall in JT prompted selling of other telecommunications stocks. Buying by public pension and insurance funds supported the index above the 20,000 level, but traders expected a further decline in JT to weigh on prices this week.

Volume rose from 222m to 315m shares. The Topix index of all first section issues fell 27.09, or 1.7 per cent, to 1,586.06, closing below 1,600 for the first time since May. The Nikkei 300 retreated 4.72 to 289.15. Losers outnumbered gainers by 1,007 to 59, with 116 issues unchanged. In London the ISE/Nikkei 50 index was off 0.57 at 1,291.99.

Investors were also refraining from trading ahead of the futures and options settlements on Friday, while worries over US-Japan framework talks on trade and its effects on the currency market also weighed on confidence.

On the second section, JT dropped Y220,000, or 4.7 per cent, to Y4.43m. Traders said the stock, now 5.7 per cent lower than its public offer price, was considered too expensive.

Telecommunications linked shares, bought by dealers and individuals ahead of the JT listing, were dragged down. DDI dipped Y45,000 to Y903,000 and Nippon Telegraph and Telephone Y10,000 to Y883,000. East Japan Railway, a privatised stock and a shareholder of JT, receded Y8,000 to Y505,000 on foreign selling.

Arbitrage unwinding linked to the Topix index depressed banks, which are heavily weighted in the average. Sumitomo Bank declined Y50 to Y1,840 and Mitsubishi Bank Y60 to Y2,440.

Steels lost ground in busy trading. Nippon Steel, the most active issue of the day, slipped Y5 to Y367.

High-technology issues were lower on profit-taking. Sony lost Y100 at Y5,850 and NEC Y10 at Y1,200. Automakers also declined, with Nissan Motor closing Y23 down at Y739.

In Osaka, the OSE average weakened 335.67 to 22,299.62 in volume of 85.7m shares.

Roundup

Company news moved shares, and markets, around the Pacific Rim.

HONG KONG noted active switching from expensive blue chips to second liners, particularly China-owned stocks, for the second day in a row, but continued fund buying still took the Hang Seng index up 129.90, or 1.3 per cent, to 10,165.87, in turnover more than doubled at HK$7.7bn.

The H share index soared 51 points, or 3.6 per cent, to 1,450.49. Meanwhile, the China-backed vitamin C maker China Pharmaceutical rose 11 cents, or 10.7 per cent, to a year's high of HK$1.135 in late trade as analysts said rotational buying of China-linked laggards had boosted demand for the stock.

TAIPEI was lifted by last minute, heavy buying in financials which took the weighted index up 65.46 to 6,895.93, as turnover increased from T$57bn to T$77.8bn.

Speculative buying focused on the Big Three banks before their shareholders' meetings scheduled for October, Hua Nan soaring by the daily 7 per cent limit to T$205.

KARACHI saw buying of cement stocks by overseas investors on the new account day, and the KSE 100 index advanced 10.35 to 2,186.18.

COLOMBO closed higher for the fourth day in a row and, in spite of profit-taking, the all-share index moved ahead 15.61 to 1,130.36.

MANILA tumbled at the close as Petron, the oil refiner making its debut on the Philippine Stock Exchange, drew investors away from declining blue chips. The composite index shed 46.16 to 3,040.32.

Petron hit a high of 22.75 pesos before finishing at 21.25 pesos, 136 per cent above its offer price of 9 pesos a share. Because of the Petron euphoria the index heavyweight PLDT slid by 4 per cent to 1,655 pesos.

KUALA LUMPUR absorbed a sharp fall in its big utility Telekom Malaysia as the KLSE index reversed an early gain to finish 9.09 down at 1,163.15, after a high of 1,181.30.

Telekom fell 80 cents to M$21.60 while Tenaga dropped 30 cents to M$14.40.

SHANGHAI and Shenzhen's A shares fell back after their recent rocket-powered climb, with respective falls of 78.94, or 7.6 per cent, to 962.68 and 16.94, or 7.3 per cent, to 214.33; but the B shares indices rose by 0.9 and 2.3 per cent respectively.